

FINANCIAL TIMES

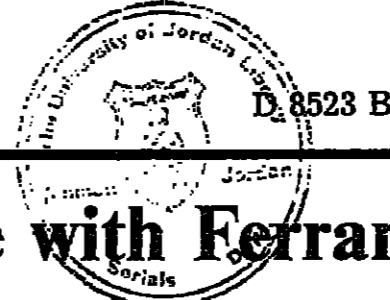
EUROPE'S BUSINESS NEWSPAPER

Friday July 13 1984

The inevitability of
Britain's
dock strike, Page 18

Algeria	Set 18	Indonesia	Rp 2500	Portugal	Esc 75
Argentina	Do 10.500	Italy	L 1100	S. Arabia	Ri 6.00
Australia	A\$ 30	Japan	Y 500	Spain	Ps 160
Canada	C\$ 2.00	South Korea	W 100	Switzerland	Sfr 2.00
Denmark	Dk 7.25	Taiwan	Nt 50	U.S.A.	\$ 1.00
France	F 100	Thailand	Bt 50	U.K.	£ 1.00
Germany	DM 2.20	West Germany	DM 2.20	U.S.A.	\$ 1.00
Greece	Dr 100	Yemen	Y 100	U.S.A.	\$ 1.00
Hong Kong	Hk\$ 1.00	Zimbabwe	Z\$ 1.00	U.S.A.	\$ 1.00
India	Rs 15				

No. 29,369



NEWS SUMMARY

GENERAL

UK bars three Nigerian diplomats

Britain ordered the expulsion of three Nigerian diplomats and said the country's top diplomatic representative, Major-General Haldun Hamanlaya, would not be allowed to return from Lagos.

Foreign Secretary Sir Geoffrey Howe told the House of Commons that members of the Nigerian High Commission in London seemed implicated in the abduction of Alhaji Umaru Dikko, prominent opposition politician.

Lagos refused to allow interrogation of any of its diplomats, so Britain ordered two, councillor Peter Oyedele and attaché Okon Edet, to leave the country.

UK refund cleared

European Parliament budget committee approved a refund of \$600m to Britain on its 1983 EEC budget contribution, ending a long wrangle over timing of the rebate. Page 2

Pickets close roads

Coachloads of striking Spanish shipyard workers sealed off roads in the North-western region of Galicia in a one-day strike over restructuring in the shipbuilding industry. Page 2

Longo resigns

Italian Budget Minister Pietro Longo, implicitly linked by a parliamentary report to the illegal P2 masonic lodge, resigned. Page 2

Andriessen backed

Dutch Government nominated former finance minister Frans Andriessen, currently EEC competition commissioner, to succeed Gaston Thorn as EEC Commission president.

Ulster violence flares

Ulster youths petrol-bombed police in Londonderry as Protestant Orangemen marched through the city to commemorate the Battle of the Boyne.

Paris bombing

A bomb exploded in a building in Paris housing the Atlantic Institute, an independent Western "think tank" on international policy affairs. It caused extensive damage but no casualties.

Durban blast

Four people were killed and 21 injured when a bomb exploded in an industrial suburb of Durban, South Africa.

Shorter week

Belgium's employers and trade unions agreed to cut 38 minutes from the 40-hour working week without loss of pay in each of the next two years to combat unemployment.

Drug troops sacked

Seven British Rhine Army soldiers were dismissed from the service and given periods of detention after pleading guilty to possessing drugs.

China breakages

Poor packaging costs China \$5bn a year in broken or damaged products, including \$50m in smashed eggs.

Five-car families

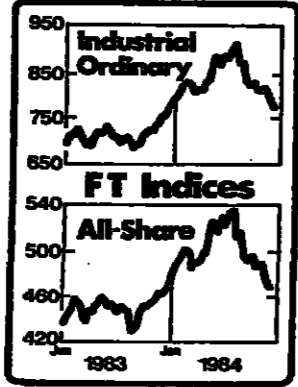
There are nearly five cars to a family in Saudi Arabia's commercial capital, Jeddah, the highest such ratio in the world.

BUSINESS

Chemical Bank profits up 10%

CHEMICAL BANK, the sixth largest U.S. bank reported a 10 per cent increase in second-quarter net earnings to \$16.7bn. Meanwhile, InterFirst, Texas-based bank, edged ahead in the quarter to \$13.4m from \$9.8m in the comparable period last year. Page 21

WALL STREET: The Dow Jones industrial average closed 3.98 down at 1,104.57. Section III



DOLLAR closed at a 10-year high against the D-Mark in London at DM 2.848 (DM 2.8405). It also improved to FFf 8.735 (FFf 8.71), SwFr 2.408 (SwFr 2.4005) and Y242.6 (Y242.1). On Bank of England figures, its trade-weighted index rose to a record 136.8 from 136.5. In New York it closed at DM 2.854, FFf 8.7815, SwFr 2.416 and Y242.6. Page 42

STERLING weakened in London to \$1.307 (\$1.314), DM 3.7225 (DM 3.74), FFf 11.415 (FFf 11.465), SwFr 3.1475 (SwFr 3.18) and Y317.25 (Y318.75). Its trade-weighted index was firmer at 77.7 from 77.8. In New York it closed at \$1.3075. Page 42

GOLD rose 50 cents on the London bullion market to \$342. It also improved in Zurich to \$341.75 (\$340.75) and was fixed in Frankfurt at \$340.72 (\$337.22). In New York, the COMEX July settlement was \$338. Page 42

TOKYO stocks retreated, with the Nikkei-Dow market average 84.72 off to 10,770.16. Section III

LONDON gilt steady but equities suffered further selling. The FT Industrial Ordinary index shed 10.9 to 771.1. Section III

HONG KONG stock market regained stability after sharp slides. The Hang Seng index firmed 0.17 to 763.78. Section III

U.S. MONEY SUPPLY: M1 fell \$1.6bn in the week ending July 2. UNITED TECHNOLOGIES, diversified U.S. industrial group, lifted second-quarter net earnings by 20.7 per cent to \$188.9m and sales by 12.5 per cent to \$4.18bn.

HONDA Motor of Japan said improved sales and margins helped to boost its first-quarter group net earnings by 38 per cent to Y28.475bn (\$1.18m). Page 22

ABN, the largest Dutch commercial bank, expects a fall in first-half profits because of reduced interest margins and slow growth in demand for credit. Page 23

WESTINGHOUSE Electric, the U.S. industrial and broadcasting group, lifted its second-quarter profits by 33 per cent to \$128m after a recovery in sales of capital goods and services to the construction and utility markets. Page 21

VOLKSWAGEN, the West German motor group, said the metalworkers' strike cost it production of 180,000 vehicles and DM 2.8bn in sales revenue, and would reduce its after-tax result by DM 500m this year. Page 23

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Mondale takes White House gamble with Ferraro

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

MR WALTER MONDALE yesterday took a historic political gamble by dramatically announcing the choice of Ms Geraldine Ferraro, a three-term Congresswoman from New York, as his vice-presidential running mate for November's U.S. elections.

By selecting the 48-year-old, Roman Catholic Ms Ferraro, Mr Mondale launched the Democrats into uncharted and potentially dangerous waters. In two centuries of U.S. presidential politics, no woman has ever been nominated for the White House by a main political party.

Mr Mondale announced what he called "this exciting choice" to tumultuous applause in the chamber of the Minnesota state legislature, where he first declared his own quest for the presidency a year and a half ago.

Now assured of the official presidential nomination at next week's Democratic convention in San Francisco, Mr Mondale said he had "looked for the best vice-president and found her." Foreshadowing what seems bound to be a chief theme of his autumn campaign, Mr Mondale said his choice meant that "America is not just for some of us."

An ecstatic Ms Ferraro told wildly cheering supporters that "electricity is in the air." Her first contacts with party colleagues had assured her that her nomination was being hailed with "excitement, a sense of new possibilities and pride," she said.

Women's leaders yesterday praised Mr Mondale's "inspiring" move as opening a new chapter in American history and likely to

draw millions of women voters to the Democrats.

The fact remains, however, that political experts are deeply divided over the likely impact of a woman on the ticket, with many of them warning that it might prove highly unpopular with conservative southern and blue-collar voters.

An opinion poll released yesterday suggested that Senator Gary Hart of Colorado, who has still not officially conceded defeat in his own bid for the presidential nomination, would have been a stronger running mate for Mr Mondale than a woman.

There was also good news for Mr Mondale in the ABC-Washington Post poll, which showed him trailing President Ronald Reagan by only 7 percentage points, 51 to 44 per

cent, against 15 points or more two weeks ago.

Mr Mondale's immediate problem will be to fend off accusations that he chose Ms Ferraro simply because she was a woman, after mounting pressure from the country's powerful feminist movement. Women's leaders had threatened to nominate their own vice-presidential candidate from the convention floor if Mr Mondale did not pick a woman.

Yesterday's poll gave Mr Reagan a 34 per cent approval rating, well down from his peak of 63 per cent after last October's U.S. invasion of Grenada. Nevertheless, 86 per cent of those polled said they thought Mr Reagan would win in November, with only 38 per cent predicting a Mondale victory.

Mr Mondale said Ms Ferraro, the

daughter of an Italian immigrant, had risen to the top on her own merit in an embodiment of "the classic American dream." She had a strong family life, deep religious convictions, and would fight for working Americans with average incomes, he said.

Ms Ferraro said that although she believed in "strong, sensible defence," she adamantly opposed "reckless adventures in Latin America" - a reference to Mr Reagan's Central American policies. She called for talks to "stop the nuclear arms race before it destroys us all."

Ready to face the challenge, Page 4

Mitterrand concedes broader use of referendum

By Paul Betts in Paris

PRESIDENT Francois Mitterrand announced last night a proposal to revise the French Constitution to broaden the use of the referendum in important issues involving the civil liberties of French citizens.

The French President also said the Socialist Government would submit to parliament a new Bill on the controversial issue of the reform of private education in France which is currently splitting the entire country.

The two moves represent a substantial concession on the part of the President to the right-wing opposition which has increased its attacks on the Government with a feverish crescendo since the big setback of the French Left in the European Parliament elections last month.

President Mitterrand took the country by surprise during his short address, broadcast nationwide, last night. His formal address was announced late on Wednesday evening after his return from Jordan and Egypt.

By agreeing to amend the Constitution to enable a referendum to be held on civil liberty issues, President Mitterrand appears to have bowed to growing public opposition to the Government's controversial reform of private education in France.

The French Senate, in which the opposition has a comfortable majority, had demanded a referendum on the private school issue. It was rejected by the National Assembly, the lower house, which is equally comfortably held by the Socialists, on constitutional grounds.

Under Article 11 of the Constitution, a referendum may only be held in France on issues related to the organisation of the state and the public powers and on the ratification of certain international treaties.

President Mitterrand has asked both houses to consider next week a revision of this article to allow a referendum on issue of civil and public liberties. If the houses approve, the revision will itself be put to a referendum in September.

By agreeing to change the constitution and expressing his support for the referendum procedure in cases of civil liberties, President Mitterrand is clearly trying to recover for the Left its image as a champion of civil liberties. Indeed, the Right has increasingly appeared to score political points by campaigning on the issue.

Bundesbank holds rates as \$ soars

BY PHILIP STEPHENS IN LONDON

THE DOLLAR continued to surge on foreign exchange markets yesterday, reaching a new record against the French franc and a 10-year high against the D-Mark, but West Germany decided against following Britain's lead in raising interest rates.

The West German Bundesbank, which has been intervening daily to slow the dollar's rise, announced that it was leaving its key Lombard and discount rates unchanged at 5.5 and 4.5 per cent.

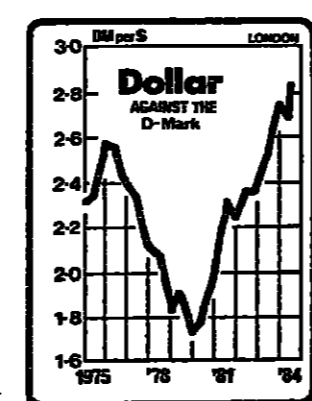
The 3-point rise in Britain's base lending rate to 13 per cent on Wednesday had prompted speculation that the West German authorities might also increase rates.

But the decision to hold present levels reflects the Bundesbank's confidence that the inflationary impact of the rising dollar is being offset by lower world commodity prices and stable domestic monetary conditions.

West German officials said they remained concerned by the dollar's strength, but the impact on inflation has been much less than they feared, while it is continuing to boost exports.

The dollar, buoyed by the expectation that the U.S. Federal Reserve's Open Market Committee would tighten credit next week, closed in London at DM 2.848, its highest level since January 1974, and 0.75 pence up on the day.

It rose further in New York to trade at over DM 2.85 at midday. Against sterling, the U.S. currency closed at \$1.307, up from \$1.314, while it rose to a record



high of FFf 8.7350 against the French franc.

Dealers predicted further gains for the dollar in coming days, with the markets looking to DM 2.90 as their next target.

The U.S. currency's rise has been slowed, however, by fears of concerted intervention by European central banks.

The banks, led by the Bundesbank, have made what one senior central banker said last night were "substantial" dollar sales over the last week.

The Bundesbank's interventions at the official fixings and in the open market are being supplemented by dollar sales against D-Marks by the Bank of France and other central banks.

France and other countries in the European Monetary System have Continued on Page 20

Thorn to buy 76% of Inmos

BY GUY DE JONQUERES IN LONDON

THORN EMI, the British entertainment and electronics group, is to pay £95m (\$123.5m) for the UK Government's 76 per cent shareholding in Inmos, the microchip manufacturer, under an agreement in principle announced yesterday.

The cash offer, which follows months of uncertainty about the future ownership of Inmos, was welcomed by Mr Norman Tebbit, the UK Trade and Industry Secretary, who said it met the Government's long-standing objective of a sale to the private sector.

He told the House of Commons the deal would ensure Inmos continued to transfer its technology from the U.S. to the UK and made it available to British industry.

The offer valued the whole of Inmos at £125m, and represented a fair return on the £85m government investment in the company's equity since it was set up in 1978.

Thorn had assured the Government it intended to develop Inmos's worldwide business in line with the

goals of the company's management. The Inmos board considered Thorn an "ideal partner."

Mr Peter Laister, Thorn's chairman, said yesterday it wanted to apply Inmos technology to its own consumer, computing and defence electronics business, but it was interested primarily in the opportunity to invest in a growth company with potential to earn large profits.

Inmos made a small profit in the fourth quarter of last year after six years of losses. It expects to make a profit this year of as much as £15m on turnover of more than £100m, on the back of the continued boom in world chip demand.

Thorn plans to offer Inmos' founders and staff, who own 24 per cent of the company, the option of selling their shares now for about £30m or to hold on for four years and receive a higher price if profits perform well.

Thorn said it expected to conclude the agreement in a few weeks after settling a number of complex

legal details related to Inmos' shareholding structure. It had not yet decided how to finance the deal.

The agreement includes the transfer of about £35m of liabilities guaranteed by the British Technology Group, which holds the Government's interest in Inmos.

Mr Laister was confident Thorn could fund Inmos' own investment plans, which call for spending of about £30m in the next three years. Inmos expected to be able to finance much of this itself, on the basis of its recent performance.

Thorn EMI is the only British company to have made a firm proposal to invest in Inmos. It made its first approach about a month ago, when it offered about £10m for a stake of just less than 10 per cent.

Its approach was warmly welcomed by the Inmos board, which was resisting a £58m offer from American Telephone and Telegraph.

Lex, Page 20

Steel producers criticise U.S. import plan

BY OUR FOREIGN STAFF

WORLD STEEL producers, led by the EEC, expressed sharp criticism yesterday of the U.S. International Trade Commission's (ITC) proposals to boost tariffs and tighten quotas on a variety of carbon steel imports.

The European Commission said it regretted the decision and that the ITC had not taken account of arguments advanced by the Commission.

Those arguments centre on the analysis that imports are not the cause of the U.S. steel industry's difficulties. The EEC, after long and difficult negotiations, worked out an agreement controlling Community steel shipments to the U.S. Brussels officials noted that, because of that agreement, EEC sales in the U.S. last year were 27 per cent down on 1982.

The Commission tempered its views about any retaliatory reaction because the Reagan Administration still has 60 days in which to react to the ITC's recommendations.

Japanese steel industry representatives amplified the EEC view, claiming that the U.S. industry was in trouble because of declining domestic demand, not because of unfair competition from imports.

Nippon Steel said: "If it is judged that protection against imports is necessary, steps should be taken against those countries which have been trading unfairly, not against Japan."

Japan's steel exports to the U.S. last year were 4.6m tonnes, the lowest level for 15 years, and were to be compared with shipments of 6m to 7m tons before 1981, the Japanese Iron and Steel Exports Association said.

Mr Kishichiro Amaya, of the Japanese Foreign Ministry, said that adoption of the proposals would be a "deplorable thing" and would have a "great impact" on Japan.

In Brazil, the Government said it had expected tough measures, but was clearly surprised by the severity of the Commission's recommendation.

Mr Tarcsio Marcondes da Rocha, a senior official at the Finance Ministry, said the measure "is unjustifiable, from any point of view, whether economic, technical or political." He said it was clearly a protectionist step and represented a "glaring inconsistency" with the U.S. proposals for a new round of world trade negotiations.

Brazilian officials say they are observing the voluntary restraint of steel exports to the U.S. announced unilaterally earlier in the year, even though U.S. companies have not responded, as had been hoped, by withdrawing their anti-dumping and anti-subsidy suits against Brazilian steel products.

South Korean steel executives said they were especially worried because this was a U.S. election year and political considerations might be a factor.

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EUROPEAN NEWS

MEPs remove final bar to Britain's refund

BY PAUL CHEESNIGHT IN BRUSSELS

MRS MARGARET THATCHER will get her money back, the European Parliament decided yesterday, ending a long wrangle in the EEC over when Britain should receive a refund of £457m from its contribution to the 1983 Community budget. The Parliament's budget committee has approved the transfer of the funds from the reserve section of the 1984 budget to the operational section, so that the European Commission may now write a cheque for Whitehall. The budget committee agreed this unanimously with two abstentions, those of Herr Erwin Langer, a West German Socialist, and Mme Christiane Servoise, a French Liberal, respectively the chairman and rapporteur of the committee. Funds cannot be transferred from one section to another of the budget in this fashion, without the committee's approval. Relief at the decision was obvious among the British Government. An official spokesman spoke of "considerable satisfaction" and "clearly a step towards the money to be paid." Lord Dorn, the Conservative MEP's budget spokesman said: "I can't tell you how relieved I am. The EEC summit at Stuttgart

Italian minister quits over P-2 link

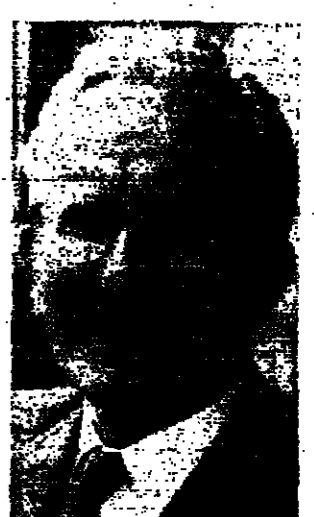
ROME—Sig Pietro Longo, Italy's budget minister, implicitly linked by a parliamentary report to the illegal P-2 masonic lodge, resigned yesterday, the Italian news agency Ansa said. Sig Longo, leader of the Social Democratic Party which forms a small but vital part of the five-party coalition government, gave his notice to Prime Minister Bettino Craxi. Ansa said Sig Craxi had accepted the resignation and would assume the responsibilities of budget minister for an interim period. After meeting Sig Craxi, Sig Longo told reporters: "I have done what I had to do in the face of a situation which otherwise could have gone to pieces with very serious risks for our institutions." "Today, I feel more free not just for myself but for all those who could be swept away by this infernal machine of suspicion." Sig Longo added: "I also feel much stronger, as secretary of my party, in my support for the Government at a difficult time." Political commentators said Sig Longo's resignation removed the greatest obstacle to the 11-month-old Government's staying in office. Sig Longo, 48, had been under heavy political fire for a year after his name appeared on a list of members of the P-2 lodge found in the villa of fugitive grand master, Sig Licio Gelli. On Tuesday, an all-party investigating commission approved by 34 votes to four a report by Christian Democratic Deputy Tina Anselmi describing the list as authentic and credible. Sig Longo has denied belonging to P-2. Reuter

French Patronat leader Yvon Gattaz talks to David Marsh Employers' voice shouts to be heard

IN THE shifting kaleidoscope of France's industrial and political scene, M Yvon Gattaz, the president of the Patronat employers' association, at least has come to be associated with certain consistency. He stands for unremitting gloom. M Gattaz's bespectacled features, topped by theatrically-arched eyebrows constantly jerking upwards in alarm, surprise or scorn at government economic policy measures, have seldom been absent from TV and newspapers since he took over at the Patronat helm two and a-half years ago. So it has been something of a surprise to see that, lately, M Gattaz has been bearing vaguely good news. The message, backed up by a special-commissioned opinion poll of company bosses, is that employers could create 470,000 new jobs over the next three years if the Government acceded to lower administrative constraints on companies, notably by easing controls on making staff redundant.

FRANCE'S annual inflation rate fell to 7.7 per cent in June from 7.8 per cent in May, the lowest for more than 10 years, according to provisional figures, David Marsh reports. The figures, showing a 12.25 per cent increase in prices of 0.5 per cent in June, the same as in May, were accompanied by the first cut in a French bank's base lending rate since January 1983, following recent modest credit easing action from the Bank of France. The Paris branch of Chase Manhattan announced the cut yesterday, to 12 per cent, although the big nationalised banks were still hesitating about whether to follow.

car group (where M Gattaz himself worked in the early 1950s). It is, he says, an "historic mistake" which will discourage thousands of other patrons from hiring new staff. Although the Government has taken some action to restrict growth in employers' costs, he believes it has not gone nearly far enough. The tax profession, a business tax levied as a proportion of a company's wage bill, is a long-standing thorn in the Patronat's side. The tax, which is due to rise by about 16 per cent this autumn, has been denounced even by President Francois Mitterrand as "imbecilic." But the Government has decided simply to make a cosmetic reduction in the levy next year, stopping short of the complete abolition called for by employers. M Gattaz claims to be on straight-talking terms with M Mitterrand, by whom he has been received more than 10 times over the past two-and-a-half years. The President is always courteous, and a good listener, he says. By contrast, M Gattaz is a good talker. And one of the problems affecting his general credibility is that, in public at least, he talks too often and rather loudly. His visits to President Mitterrand are habitually followed by ringing corporate S.O.S. messages and dire statements on the economy delivered from the Elysee steps. M Deiors has been intensely irritated by what he judges is M Gattaz's aversion to giving the Government any credit for measures to help companies over the past two years. M Gattaz's megaphone diplomacy has partly represented an effort to chisen out a public image. Squeezed between



M Gattaz: diplomacy by megaphone

France's increasingly shrill battery of small business leaders, the big nationalised groups (which are still among the Patronat's im-pu-ni-able adherents) and an elite of big private companies like Most Hennessy and Oreal which have discreetly formed their own pressure group, M Gattaz believes he has to shout to stand out from the crowd. His aides admit that the Patronat likes to reserve his most doleful jeremiads for the French Press, feeding another message—long-term confidence in the economy, the strength of export efforts, etc.—to foreign journalists.

Last month, coming out of his latest Elysee meeting with the President, M Gattaz again promised "an explosion of discontent" this autumn over the scheduled increases in the taxe professionnelle. But his warnings are beginning to lose some of their bite now that corporate finances—as the latest figures from the official statistics institute show—are showing clear signs of improvement as a result of the Government's policies since last year to shift resources back to the company sector.

Belgium's debt looms over budget wrangle

BY OUR BRUSSELS STAFF

BELGIUM'S rising public debt overshadows the complex political negotiations into which the centre-right coalition Government is moving over the main lines of the 1985 budget. The debt will be swollen this year by the effects of a public sector financial deficit originally estimated at BFRs 507bn (£8.7bn). Figures presented to the cabinet of Mr Wilfried Martens, the Prime Minister, by Mr Philippe Maystadt, the Budget Minister, show that on the basis of unchanged policies and a 6 per cent inflation rate, public spending next year will rise to BFR 1,750.6bn. The figure includes no less than BFR 483bn, about 25 per cent, in interest charges to cover the debt. That will be BFR 91bn more than this year, Mr Maystadt said in a newspaper interview. With a hint of the flavour of the political arguments to come, Mr Maystadt related the charges to the 1985 budget. He expected to be made next year as a result of a Government austerity package last March. Would even those who are conscious of the necessity for austerity, he asked, be able to accept that a large part of the result of this effort serves to pay extra interest to the banks? Making it clear that an increase in individual taxation is out of the question, he sent a flutter of uncertainty through the financial institutions with the suggestion that they might help rather more out of their increasing profits to lower the interest charges. To some extent, of course, the Government is the master of domestic interest rates, which

are running at historically high levels, but this is not the case with those abroad. Belgium foreign currency debt rose in 1975, had spiralled to BFR 824bn by the end of last year and had climbed to BFR 942bn by the end of April. At the end of June, the Government stated a further rolling loan of \$300m at a floating rate of interest. Of the total, roughly 35 per cent is denominated in dollars, with a large part of the balance in D-Marks, guilders and Swiss francs. The high level of U.S. interest rates is increasing the cost of dollar borrowings, only a small portion of which are at a fixed rate. In the Government, however, there is some hope that the higher costs can be absorbed by the higher cost of the outcome of the total spending deficit. In the first half of the year the deficit was slightly smaller than expected, so there is some slack. Next year it is expected that a slowdown in the U.S. economy will bring lower interest rates with it. This is a minor blessing—if the calculation is right—for a Government which this year is coping with a net financial deficit equivalent to 11.5 per cent of gross national product, down from 15 per cent in 1982. Its policy is to keep the growth in public spending lower than the rate of inflation, Mr Maystadt's calculations suggest this should be achieved next year. At least a real growth of spending of 4.5 per cent, if the debt charges are excluded. Total public debt will this year pass BFR 4,000bn, a figure which equals 96 per cent of GNP.

THE GROWING DEBT BURDEN

Year end	In BFR	In foreign currencies	Total
1978	1,412	15	1,427
1979	1,582	27	1,609
1980	1,851	153	1,957
1981	2,051	388	2,439
1982	2,443	642	3,085

Source: National Bank of Belgium.

Bonn and Paris signal end of cross-border checks

BY RUPERT CORNWELL IN BONN

WEST GERMANY and France will today formally sign their much trumpeted agreement to remove cross-border checks between the two countries by the end of 1986. Under an accord initiated here this week by a working group of officials from Paris and Bonn, the existing system of controls—which in fact often amount to little more than a lazy wave-through by a customs officer—will be removed in three stages. The first, to come into effect later this year, will involve only vital checks with random spot controls in cases of doubt. Drivers will qualify for such treatment by displaying in their windcreens a small green disc, embossed with a big white letter "E" for Europe, and issued by motoring associations. The disc will signify that the car is licensed in the European Community, contains no items liable for duty, and carries only citizens of EEC member states. As a second step, single joint frontier checkpoints will be brought in, with the ultimate goal of removing all formal controls in both personal and goods traffic by December 1986. The West Germans, who see the scheme as a big symbolic gesture towards the creation of a "less bureaucratic" citizens' Europe, are pressing for similar agreements with other EEC neighbours. Talks have been held in Aachen between West German and Belgian representatives to this end. The prospect that the foodgates may be opened to an even bigger traffic in terrorists, drugs and illegal immigrants from the Third World than is already the case, is being brushed aside. The protracted dispute in the West German print industry is now officially over. A comfortable 61 per cent majority of members of the IG Druck print union yesterday voted to accept the deal worked out by union and management last weekend. As in the seven-week engineering strike, this provides for a 38.5 hour working week.

Poland accuses Paris Club of slowing talks

By Christopher Bohinski in Warsaw

MR STANISLAW NIECKARZ, Poland's Finance Minister, has accused the Paris Club of Western creditor nations of slowing down talks on rescheduling Polish debt payments to Western governments which fell due between 1982 and 1984. Originally the Poles were expected to meet twice in July with the 17 nations to whom Poland owes \$15.2bn (£1.7bn) overall, but after the first meeting on July 6 the second meeting was postponed until September. Mr Nieckarz implied at a press conference in Warsaw that the Paris Club had gone back on an agreement with the Poles. Under this Warsaw agreed to pay 20 per cent of the \$430m worth of debt outstanding from 1981 on the understanding that the talks would then go more smoothly. At the end of May Poland indeed paid \$80m to all of the 17 nations apart from the U.S., claiming that the absence of a technical agreement with the Americans made payments impossible. U.S.-Polish talks in Washington last month on the sum outstanding which is in the region of \$30m failed to produce results and at the July 6 meeting the issue developed into a significant stumbling block. Mr Nieckarz said that at the July 6 meeting "the Western side began producing new conditions and the indications are that the Western European nations working under the influence of the U.S. Government do not want to speed up the talks." Mr Nieckarz added that repayment of the sums due would be impossible without new credits aimed "mainly at increasing exports" and membership of the International Monetary Fund, at present being blocked by the U.S.

Western allies displeased at inter-German air agreement

BY LESLIE COLTIT IN BERLIN

THE THREE western allies in West Berlin—the U.S., Britain and France—have indicated their "surprise" and displeasure that the West German Government failed to consult them before the recent conclusion of an air travel agreement between Lufthansa, the West German state-owned airline, and East Germany's Interflug airline. The allies said that normally all inter-German matters and particularly air rights were discussed at the weekly meeting in the West German capital of the Bonn Group, representing the allies. They maintained that they were not informed about the air agreements in advance, contrary to what would be expected. They said that the accord reached by the two national airlines had the character of a state treaty.

A spokesman for the West German Foreign Ministry said yesterday the western allies would be consulted when the air routes were established. He added that they would not touch the allied air corridors to West Berlin. The agreements provide for a daily scheduled air service to begin "at first" between Frankfurt and Leipzig during the next Leipzig autumn and spring fairs. In addition, the two airlines agreed to recognise each other's tickets and flight documents. Until now, there has been no scheduled air service between East and West Germany and only infrequent charter flights. Interflug is to operate charter flights from Leipzig to Hamburg, Düsseldorf and Stuttgart during the autumn trade fair and will begin scheduled flights in the spring and autumn of next year. Herr Heinz Ruhnau, Lufthansa's chairman, said that other cities in East and West Germany could eventually be linked by air. Lufthansa has openly coveted one destination more than any other—Berlin, where the airline originated after the First World War and grew to become one of the world's largest. Lufthansa has been prevented from flying to West Berlin through the three allied air corridors—British Airways, PanAm and Air France—have alone exercised the allied rights to use the air corridors for scheduled services between the city and West Germany.

Pickets seal off roads in Spanish ship strike

BY DAVID WHITE IN MADRID

COACH LOADS of pickets sealed off roads in Spain's North-western Galicia region yesterday in a nationwide strike against a reorganisation plan for the shipbuilding industry which has split the trade union movement. The one-day strike, the latest in a series of protests which has been building up for over a year, received a large scale following in all the main shipyard centres including Bilbao. In Galicia, where about a quarter of the industry is concentrated, more than 100,000 were reported to have taken part in a protest march in Vigo. The strike movement, led by the Communist Workers' Commissions, was joined in Cadiz by the local branch of the socialist UGT union, which along with the Basque ELA-STV union reached basic agree-

ment earlier this year with state and private shipyard owners on terms for restructuring the industry. A bomb attack on the Madrid offices of the Vigo-based Ascom shipyard by persons claiming to belong to the Grapo terrorist group was said by company officials to be unconnected with the strike. The two unions involved in the initial agreement met government and industry representatives on Wednesday in a bid to obtain a revision of production and demand forecasts at the shipyards. Current management plans imply about 17,000 job losses. The sector has become the chief focus of labour discontent, as the socialist Government is trying to get talks going on a wide-ranging union employer pact.

Kuwaiti minister predicts tough fight over Opec quotas

BY DOMINIC LAWSON IN VIENNA

SHEIKH AH Khalifa Al-Sabah, the Kuwaiti oil and finance minister, said yesterday that he had "a lot of haggling" when ministers from the Organisation of Petroleum Exporting Countries (Opec) met again to discuss production quotas this week. The Kuwaiti minister left two-day meetings in Vienna hopeful that rising demand for oil in the coming months may permit them to raise quotas at their next meeting. Some observers, however, feel that Opec has produced so far in excess of its quotas in the first half of this year, that little room for manoeuvre remains. The Kuwaiti oil minister admitted in Vienna yesterday that Opec production was as high as 18.5m barrels a day in June and averaged 18m b/d over the second quarter as a whole. These figures are higher than those given recently by the International Energy

Agency and are well in excess of demand for Opec oil. The official Opec production ceiling is 17.5m b/d and Sheikh AH Khalifa admitted that "seven or eight Opec countries have exceeded their quotas." Sheikh AH Khalifa also discussed the forthcoming attempt by Sheikh Ahmed Zaki Yamani, the Saudi oil minister, to persuade Britain and other non-Opec producers to restrain their output and said that "if the British don't respond to our initiative they will be the losers."

He added that "the UK is a high cost producer. It is in its interest to see the highest possible oil price no matter what the British energy secretary says to the press." In giving his projections for the rest of the year's oil market, Sheikh AH Khalifa considered by many Opec watchers to be the guiding force behind Opec's strategy—said that demand for Opec oil would be a little above 18m b/d in the third quarter and that the fourth quarter "will be much stronger allowing enough room for Opec to increase its production ceiling." Scepticism has been expressed by some oil traders in Vienna following Opec's award to Nigeria of an increase in its 1.3m b/d quota of 160,000 b/d in August and 150,000 b/d in September. They believe that Nigeria would need to discount prices in order to sell the extra

Spending on oil exploration and production plummets

BY DAVID WHITE IN MADRID

Spending on oil exploration and production has plummeted in the smaller companies, went in the same direction. It was the third successive year of decline. Although Chase, like other forecasters, sees a profits rebound this year, it then expects profits to be flat in 1985 and 1986, before returning to a growth path. Now it is true that Opec's own state oil companies have suffered more than any other group from these problems, but the comfort for Opec is the effect the dip in profitability and capital spending is expected to have upon the ability of the non-Opec countries' ability to add to their oil reserves. As the table shows, by 1990, Chase expects reserves in the U.S. to be down by 22.5 per cent and West Europe's to be down by 21 per cent. The non-Opec world is running out of ammunition in its ability to hold Opec at bay. This, of course, is too simple a picture. The non-Opec world will find additional reserves when more intensive exploration and development is justified by higher oil prices. But because oil producers like Britain and Norway are doing such an excellent job at feeding the oil glut, real prices are expected to be stable for the next few years. Chase seems only a gentle advance from 1986. Oil demand, it expects to grow at 1.4 per cent a year between 1985 and 1990, which is roughly in line with most other forecasts. For Opec, these assumptions mean that the cartel will gradu-

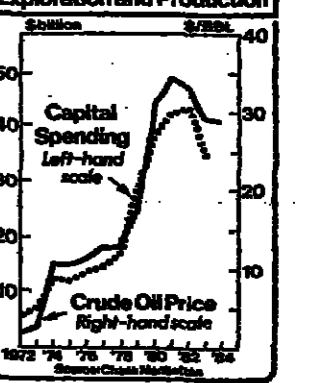
ally be able to increase its output from 17.5m b/d in 1983—the existing agreed production ceiling—to 21.5m b/d in 1990, still well within the organisation's 32m b/d capacity. The 1990 figure will be slightly higher, Chase says, if oil prices turn out to be lower than it expects, because low prices will tend to shut in more high cost non-Opec production. The bad news for Opec is that, assuming the Gulf war ends eventually and Iraq's production rises to former levels and that the Saudis are forced to concede some modest quota increases to Opec's financially more hard-pressed members, the organisation's main swing producer, Saudi Arabia, will be producing less oil in 1990 than it did in 1983—4.5m b/d against 4.9m b/d. Chase suggests, could interest to lower prices in force the Saudis, in their own

CHANGE IN OIL RESERVES

Year	1983	1990	% Decrease
U.S.	26,731	20,719	22.5
West Europe	6,188	4,996	19.4
Other	15,740	12,436	21.0
Non-Opec	80,095	73,452	8.3
Opec	43,553	60,191	5.3
World	79,516	17,641	5.6
U.S. & West Europe	35,427	335,308	5.4
World	566,684	525,233	7.3

Source: Chase Manhattan

Exploration and Production



Two jailed for stealing Swiss bank data

By John Wick in Zurich

TWO FORMER employees of Union Bank of Switzerland have received prison sentences of three and four years respectively for stealing six computer tapes from the bank's Lausanne data centre and handing them over to the French customs authorities. The public prosecutor had called for sentences of only two years' imprisonment. The defendants, named only as Jacques P. and Miguel C., were charged with theft, economic espionage and contravention of banking secrecy. Jacques P. fed to the French island of Martinique before sentence was pronounced. Switzerland claimed that bribes had been offered to bank employees to provide the French authorities with details of bank accounts. During the trial in Lausanne it was stated that Jacques P. had been approached by a customs officer on the French-Swiss border and offered a reward for information from the UBS data centre. Subsequently, the bank denied that any secrets had actually been obtained from the tapes by the French authorities.

Norway makes big offshore gas find

BY DAVID WHITE IN MADRID

Statoil, Norway's state-owned oil company, has discovered a large gas field in Block 7121/7 of the Tramses-Flaket field in the northern Norwegian Sea. Development is unlikely, however, unless considerable state aid is given to the project. Statoil told Reuters in Oslo. The discovery contains estimated recoverable reserves of 170bn cubic metres of gas, a little less than the Frigg field in the North Sea, he said. Production could begin by 1996 if the field is developed. The oil and gas market six years ahead, but to analyse the state of the world's oil companies. The most eye-catching finding of the study is the precipitous 35 per cent drop in the non-Communist world's spending on oil and gas exploration and production in 1983—the biggest drop since Chase started collecting figures in 1946. The reasons for this are a mixture of declining drilling costs, especially in the U.S., and a cut in activity by oil companies worried about the effect of weak prices on their investments. Although the major oil companies have enormous financial strength, the industry's net revenues declined by 7 per cent in 1983 and profits, at least for

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OVERSEAS NEWS

More than 100 bodies recovered from Taiwan mine

BY ROBERT KING IN TAIPEI

RESCUE WORKERS have recovered the bodies of more than 100 Taiwanese coal miners killed in the country's second major mining disaster in one month.

This week's mining disaster at the Meishan mine in Taiwan's largest coal-bearing district has further strengthened arguments against continuance of across-the-board subsidies of locally-produced coal.

The Meishan disaster came just days after rescue workers removed the last of 4 bodies from the Haishan mine in Taipei County.

The collapse of the Haishan mine had already led to debates about miners' safety and had brought Government threats to close any of Taiwan's 120-odd mines that fail to meet Government standards.

On Wednesday, rescue teams deep inside the Meishan mine raised the hopes of waiting relatives — and of most Taiwanese — when they reported by radio that most of the more than 120 miners were still alive.

That report may have been based on their finding all but one of the first group of miners rescued still alive.

But as rescuers descended deeper into the pit, they found fewer and fewer survivors: oxygen deprivation and carbon



Rescue workers rush an unconscious miner to an ambulance after Taiwan's latest mine disaster

monoxide had taken its toll and at latest count only 20 miners out of more than 120 down in the pit have survived.

The fire started early on Tuesday afternoon and continued to flare up sporadically well into the evening. It trapped the miners in the pit, consumed their air supply and produced the carbon monoxide which slowly killed many of them.

As a result of the Meishan disaster, the Government has formally shut down all of Taiwan's 120-odd coal mines pending safety inspections.

Taiwan's Prime Minister, Mr Yu Kuo-hwa, has also repeated his earlier threat to shut permanently any mines with sub-standard safety systems.

Just how effective these inspections and threats will be

remains to be seen. Taiwan's pit-mines become increasingly costly to operate, the deeper miners work, and the cost of installing improved safety equipment could prove too much for some already-stretched mine-owners.

Taiwan's mines now continue to operate only because of Government subsidies. On average local coal is priced about 20

per cent higher per ton than imported coal.

Government enterprises such as Taiwan Power Corporation and China Steel Corporation have agreed to purchase local mines' output year after year at the higher price, to sustain them.

The Government reasons that the social costs of shutdowns—for instance, loss of mine owners' investments and displacement of workers—outweigh the monetary costs of the subsidies.

The Government also feels that having the mines operational guarantees Taiwan's supplies in case imports are cut off by war.

Even with the subsidies, local production has fallen steadily over the past six years from 3m tonnes in 1977 to about 2.24m last year.

Imports which filled 74 per cent of Taiwanese demand last year have in turn risen sharply from 890,000 tonnes in 1977 to about 8.3m tonnes last year.

A shift from fuel oil to coal by major utilities and industries in recent years accounts for the rise in demand which last year reached nearly 8.6m tonnes.

The U.S., Australia and Canada supply nearly all of Taiwan's coal imports.

Ciba-Geigy in drug marketing controversy

BY CARLA RAPOPORT IN LONDON

CIBA-GEIGY, the Swiss-based pharmaceutical company, has become embroiled in the growing controversy over marketing drugs in the Third World.

The issue centres on two advisory letters it sent earlier this year to doctors in Indonesia on the handling of drugs which have either been banned or severely restricted throughout Europe.

The first letter, sent in January, encouraged the continued use of two of Ciba-Geigy's anti-inflammatory drugs, oxphenbutazone and

phenylbutazone. These drugs are used for the treatment of rheumatism and arthritis.

The Swiss drug company said on Wednesday that the first letter had been drafted and sent by its Indonesian subsidiary before it had a chance to "formulate a worldwide policy" on the drugs.

These drugs are no longer licensed in many European countries because of reports of severe side-effects and deaths associated with their use in some countries.

Excerpts from the first letter were printed in a recent issue of The Lancet, a weekly UK medical journal. The letter cast doubt on the quality of evidence raised by medical experts in Europe in recent years against the two drugs. The letter cautioned that "the seed of fear should not be spread among ill people."

The company said on Wednesday, however, that subsequent correspondence was sent to Indonesian doctors, pharmacists and drug distributors. This correspondence, sent

about a month after the first letter was posted, advised a limited use of the products and new wordings for their labelling.

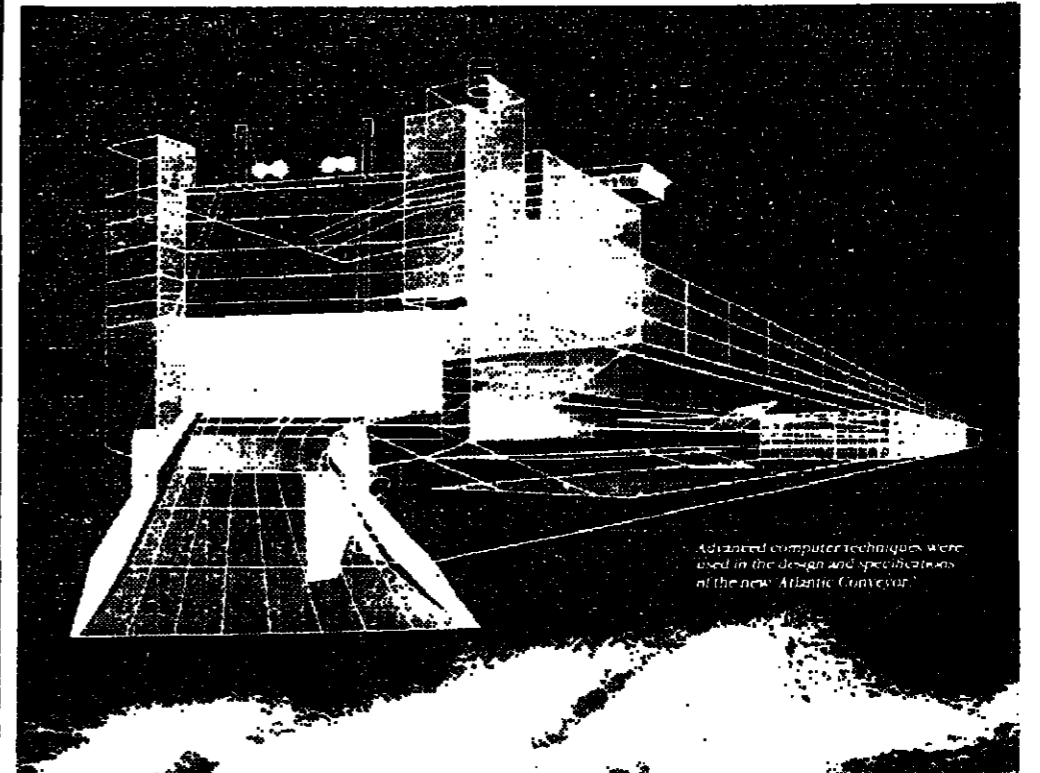
"The first letter was not ill-advised at that time," said Ciba-Geigy. "To establish a worldwide policy takes a long time." The first letter, it said, was posted on January 17, while the second letters were sent between February 14 and 29.

Ciba-Geigy has said that only 1,000 deaths worldwide have been alleged to be associated with the use of the drugs since they were introduced more than 20 years ago.

The products have been under attack by various medical experts over the last few years.

The British health authorities recommended to withdraw oxphenbutazone and severely restrict the use of phenylbutazone last March. The drug was subsequently withdrawn.

Mr Joe Collier, a clinical pharmacologist and editor of Drugs and Therapeutics Bulletin, said on Wednesday that the supplementary letters sent by the company would not be sufficient to undo the damage done by the initial letter.



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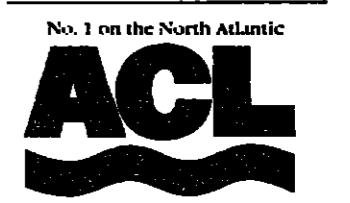
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To Ian High, Cunard Brokerei Ltd. (see address adjacent) Please send me the colour brochure poster of the new ACL ships. (Allow 10 days for delivery)

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Tough times ahead for whoever wins

ECONOMICS are dominating the Israeli election campaign. This is hardly surprising given that the country is suffering from 400 per cent inflation and a balance of payments deficit which at \$4.5bn has reached a dangerous level.

The Israeli voters already know that no matter which party wins the July 23 election, harsh remedial measures will have to be implemented to cure the nation's economic ills.

But because they fear alienating the public this is the one issue on which the two major parties are avoiding specific declarations about their post election intentions.

After all, it cannot be easy to woo voters when in truth all that you can offer them for the immediate future is the promise of austerity.

Of course, the Israelis have already been acting to protect themselves against the possibility that they fully realise must be ahead.

In the past few weeks there has been a spate of strikes to support demands for higher wages, the rush to buy dollars, or almost any price, sent the black market dollar soaring, and the shopping spree in June set new records for a single month's sales of houses, cars and other consumer durables.

No matter how frightening it may have appeared to outside observers, Israel's massive inflation was not a real problem for the individual while it remained below 200 per cent.

But when inflation took a sharp turn upwards early this year, to reach the 400 per cent level, the protective indexation system proved inadequate. Quarterly payments to living wage hikes were insufficient in a situation where prices rose at 1 per cent a day.

This came on top of the collapse last October of the apparently gilt-edged shares of the big commercial banks. The shares lost half their value, wiping out sizeable portions of the average individual's savings in the process. The sudden failure of this supposedly safe shelter for assets in wild inflationary times really marked the beginning of the countdown for early elections.

Losing a substantial proportion of their life savings through the bank share collapse crystallised the growing feeling among many Israelis that the Government may be losing control of the economy. If it could not protect its citizens against the supposed terrors of hyperinflation, then perhaps it was time that the government was changed.

The ruling Likud's Finance Minister, the genial Mr Yigal Cohen-Orgad, promised that if returned to office, he will continue the policies, which he has been pursuing since taking over the Treasury last November. They were beginning to work, he says, but it will need more time for them to achieve their targets.

Already they have brought



Economics dominate the campaign, writes David Lennon from Tel Aviv, but it is not easy to woo voters when in truth all that can be offered is the promise of austerity.

about an improvement in the balance of payments deficit, through increased exports and reduced imports. Inflation will also be brought down, though "this is not our main problem," he says.

Likud spokesmen rightly point out that during their seven years in office, the standard of living of the average Israeli has risen tremendously. They intimate that returning the Likud to power will ensure that these gains are preserved and may even be improved upon.

They warn that if Labour is elected it will impose austerity measures which will make life much tougher for the average citizen. The opposition, Likud says, may well induce a sizeable growth in unemployment, which the government has managed to keep down to the negligible level of about five per cent.

But this is somewhat disingenuous. Before the calling of early elections forced him to ease back, Mr Cohen-Orgad was beginning to implement an economic recovery programme which included eroding wages, lowering the standard of living, generating unemployment and indeed making life in general much tougher.

Just how serious are the problems? According to Mr Gad Yaacobi, the Labour Party's spokesman on economic affairs, seven years of Likud rule has produced: inflation at 450 per cent compared to 28 per cent in 1977, a GNP which grew by only 11 per cent in seven years, while consumption rose 35 per cent, a balance of payments deficit which at \$4.5bn has more than doubled, and, a gross foreign debt of \$25bn compared to \$9.5bn seven years ago.

"The hope for change lies in the fact that the developments were not caused by any external impact. All were the outcome of the misconceptions, false policies and frequent fluctuations which were the result of the Likud's political and

economic fantasies," he says. As examples of this he notes that "the Likud spent \$2.5bn from the state budget on settlements in Judea and Samaria (the West Bank), and the Lebanon war cost the national economy another \$3bn, directly and indirectly in lost production of people doing additional reserve duty."

If Labour heads the next coalition Mr Yaacobi says "We will cut government spending by \$1bn in the first year." This will be done by saving \$300m by withdrawing from Lebanon, \$350m will be saved by cutting back on the construction of Jewish settlements on the West Bank, \$100m in handouts to coalition partners will not be renewed. The remainder of the cuts will be achieved by curtailing administrative expenditures.

The sum Labour proposes cutting from the budget is identical to that already attempted by Mr Cohen-Orgad, only the priorities are different. Likud wants the cut to be made across the board with all government services being equally curtailed, while Labour wants to reduce spending on political projects which it opposes ideologically.

The two main parties are also advocates of a social contract between workers, employers and government to keep down wage, prices and taxes. Mr Yitzhak Shamir, the Prime Minister, said recently that if the trade unions do not agree to this voluntarily "they will be forced to co-operate." Because of its domination of the Histadrut, the unions' roof body, Labour believes this can be achieved voluntarily.

Mr Yaacobi is reluctant to go into details about just what will be shopped from the unions. This is hardly surprising as it emerges that Labour will ask the unions to forgo a wage increase and accept a decrease in the linkage of wages to the cost of living index.

Indeed this may well explain why few people appear to show much enthusiasm when contemplating what life will be like after this month's elections. Whatever it may mean politically, they know for sure that economically it means hard times lie ahead.

Libya's Foreign Minister visits Beirut

By Tony Walker in Beirut

LIBYA'S Foreign Minister visited Beirut for talks yesterday with Lebanese President Amin Gemayel despite death threats from an extreme extremist Shia Moslem group, the "Sadr Brigades."

The group on Wednesday claimed responsibility for a bomb blast which virtually destroyed Libya's embassy in the Lebanese capital. Mr Abdul-Salam Treiki who came to Lebanon by way of Damascus was carrying a letter from Libya's ruler, Col Muammar Gaddafi. There were no details of what was in the message.

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AMERICAN NEWS

Ferraro... tough, cool and ready to face the challenge

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MS GERALDINE FERRARO likes to describe herself as a housewife from Queens, the working district of New York that she has represented in the U.S. House of Representatives since 1978.

She studied at night for a law degree working as a school teacher and mother during the day

an Italian immigrant shop-owner, who died when she was eight. She has kept her maiden name, she says, out of respect for her widowed mother, who took a job as a garment worker to help support her.

Ms Ferraro entered Congress in 1978 after winning a difficult Democratic primary as what she called a "small c" conservative Democrat—a description she has since dropped in favour of "moderate".

Only in the last two or three weeks has her support in the party started to become really widespread

In recent weeks, Ms Ferraro has distinguished herself by skillfully chairing the committee that negotiated the draft election platform for next week's party convention in San Francisco.



Walter Mondale with Geraldine Ferraro

From now on, one of the first tasks of Mr Mondale and the Democratic Party will be to try to quash the inevitable allegations that she has been chosen simply because she is a woman and that Mr Mondale has caved in to feminist pressure to break the two centuries old tradition of excluding women from the White House.

Ms Ferraro, a 48-year-old Roman Catholic, acknowledges that her sex is not entirely irre-

levant. Earlier this month, she thanked the powerful national organisation for women for "making dreams that once seemed impossible a reality for me." She has admitted that she would not have been considered for the vice presidency "if my name were Gerald Ferraro."

He helped her to win a seat on the influential House Budget Committee where she has been "Ronald Reagan has forced me to become an expert on the budget." She is also secretary of the House Democratic Caucus and a member of the Democratic Steering Committee, making her a prominent member of the House leadership.

San Francisco — an unenviable task that required both tact and discipline. She won unanimous praise from the often fractious participants and completed the job a day early — by dint of threatening an 8.30 am Sunday meeting. "That's what I do to my children," she said.

Ms Ferraro has political weaknesses, they say, but her experience at state governor or U.S. Senate level, traditionally considered the path to national office, and scant familiarity with foreign policy issues. Trying to make up for that with a major foreign policy speech in San Francisco on Wednesday, she disturbed some liberals in her audience by stating bluntly that in a Gulf emergency "we would move in by land or sea."

Case against De Lorean 'has failed miserably'

BY LOUISE KEHOE IN SAN FRANCISCO

DEFENCE lawyers for Mr John De Lorean argued yesterday for the acquittal of the former car maker on the grounds that the prosecution had "failed miserably" to prove that he was guilty of cocaine trafficking charges.

"Of the three key government witnesses—two undercover agents and a government informant—all have admitted improprieties in the conduct of the investigation, the defence argued.

In a motion filed on Wednesday after prosecution evidence was completed Mr De Lorean's lawyers asked the Los Angeles federal judge, Judge Takasugi, to dismiss the charges against Mr De Lorean.

During the week trial, defence lawyers have extracted admissions from prosecution witnesses that they suggested a drug deal to Mr De Lorean; failed to follow government guidelines for undercover investigations; destroyed critical notes and recordings during the investigation; and failed to record several telephone conversations with Mr De Lorean in which he claims to have been threatened.

Brazil quietly abandons its wage controls

Andrew Whitley reports from Rio de Janeiro

WAGE CONTROLS—only eight months ago regarded by the International Monetary Fund and Western creditors alike as essential for the resumption of lending to Brazil—are being quietly abandoned.

Salary earners are concerned. Shopfloor workers, notably in the vehicle and steel industries, have also won additional increases after strikes.

Without any formal announcement, price controls have, meanwhile, been either substantially amended or dropped in recent weeks. Public sector increases, in such areas as steel and electricity, will in future be made half-yearly rather than quarterly.

Industrialists would like to come up with a formal proposal to amend the wage law. Without any formal announcement, price controls have, meanwhile, been either substantially amended or dropped in recent weeks.

Salvador releases nine leading trade unionists

BY ROBERT GRAHAM

THE El Salvador Government has released nine leading figures in the trade union movement held prisoner since January. The move is unexpected and is a further sign of President Jose Napoleon Duarte's cautious attempts to bring about national reconciliation in the wake of his election six weeks ago.

A three-year wage freeze. They were released last Friday but the news was only confirmed yesterday. Although several trade unions are linked to the umbrella leftist guerrilla organisation, FDR/FMLN, they have sought to act independently. In the run up to the presidential elections the unions tried to capitalise on government weakness by launching a series of strikes both in the public and private sector to obtain wage concessions.

Tass accuses U.S. of lie

MOSCOW—The official Soviet news agency Tass condemned yesterday a Washington suggestion that Moscow was behind death threats sent to Third World athletes planning to compete at the Los Angeles Olympics.

Moscow, the State Department said yesterday that letters purportedly from the racist Ku Klux Klan bore all the hallmarks of a "disinformation campaign"—a term the United States uses to describe covert Soviet attempts to deceive world opinion.

Lloyds Bank Interest Rates. Lloyds Bank Plc has increased its Base Rate from 10% to 12% p.a. with effect from Thursday, 12th July 1984. Other rates of interest are increased as follows: 7-day-notice Deposit Accounts and Savings Bank Accounts - from 6.5% to 8.75% p.a.

WORLD TRADE NEWS

Land Rovers to oust Jeeps in Swiss Army

LAND ROVER, BL's subsidiary, has won the hard-fought battle between the world's light four-wheel-drive vehicle producers to replace the Swiss Army's Jeeps over the next few years.

600 Land Rover vehicles next year for SwfR 35m (about \$11.5m). And over the following 10 years a further 300 would be bought each year.

replace its American-made Willys Jeeps. The huge interest was generated because the Swiss contract was one of the biggest likely to become available in the next few years.

The Swiss defence department said that Land Rover had been awarded the contract mainly because of a 15 per cent price difference between the 110 and the "G" wagon.

since it was first introduced. The company had not expected to win any military or government sales for another year or so but, apart from the Swiss order, Land Rover is also to supply "a Far East army" with 1,100 of the 110s.

Generous offset work key to Belgian vehicle order

BELGIAN COMPANIES will receive from Canadian sources BFR 6bn (£78.9m) worth of business following a decision by the Brussels government to buy from Bombardier of Montreal 2,500 Litis four-wheeled drive vehicles.

politically inevitable at the beginning of the week. The contract strengthens Bombardier as a supplier of military four-wheel-drive vehicles. The Litis was developed by Volkswagen for the German Army.

vehicles, is worth BFR 385.7m (£5m). The greater value of the offset—BFR 5.6bn—Bombardier disposed yesterday, is in indirect contracts which in turn benefit companies in Belgium are: BN, the transport equipment manufacturer, will become a sub-contractor to Bombardier, which is providing metro carriages for Portland, Oregon, with business worth BFR 1.57bn.

work together on fibre optics. Gombel, the Belgian glassmaker, has been awarded a contract to assemble in Belgium for sale to third countries by joint Belgo-Canadian promotion. The two countries are to work together on fibre optics.

weapons to Canada valued at BFR 891m; Volkswagen interests in Belgium receive BFR 900m of business. But the matter does not stop there. The Litis will be assembled in Belgium for sale to third countries by joint Belgo-Canadian promotion.

Bank of Scotland BASE RATE. Bank of Scotland announces that, with effect from Wednesday 11th July 1984, its Base Rate will be increased from 10% per annum to 12% per annum.

Algeria seeks arbitration over Spanish LNG row

ALGERIA IS seeking the arbitration of the Paris-based International Chamber of Commerce over its long-standing dispute about the terms of its contract to sell liquefied natural gas (LNG) to Spain.

million British Thermal Units (Btu). Spain only pays \$2.70. Spain imported 8.9 per cent more Algerian gas in the 12 months to the end of May 1984 than in the year which ended in May 1983—its imports of Libyan gas declined by 1 per cent over the same period.

Hong Kong port expansion contract won

HONG KONG International Terminal, the subsidiary of trading group Hutchison Whampoa which handles about 40 per cent of the container traffic passing through Hong Kong, has awarded a HK\$250m (£25m) contract for the extension of Kwai Chung container port to Aoki Corporation, a Japanese construction company.

Westland in Australian venture to build trainer

A NEW company, AAC-Westland, has been formed in the UK by the Westland group and the Australian Aircraft Consortium to manage the production, sales and manufacture of the Australian A-20 two-seat basic military training aircraft in the UK and Europe.

Blackwell, Sir John Treacher, Mr A. V. N. Reed and Mr M. Jones. The Australian Aircraft Consortium itself was formed some time ago to develop the initial A-10 basic trainer for the Royal Australian Air Force, from which the A-20 has been derived to bid for the RAF deal. The AAC comprises the Commonwealth Aircraft Corporation of Melbourne; the Government Aircraft Factories of Fishermen's Bend, Victoria; and Hawker de Havilland Australia, of Bankstown, New South Wales.

FINANCIAL TIMES SURVEY

Friday July 13 1984

WALE

The economy is at last on the mend with company profitability, output and exports all rising. However, the public sector still has a key role to play in improving the industrial infrastructure and tackling the high level of unemployment

Starting out on the road to recovery

By ROBIN REEVES, Welsh Correspondent

THE WELSH economy seems to be on the road to recovery. Increased business confidence, rising demand, sharply increased output, a marked fall in the number of manufacturers working below capacity, greater export optimism, and increased capital investment were the hallmarks of the latest Industrial Trends Survey from the Wales CBI. It adds up to the most optimistic survey produced by the CBI since it first started collating Welsh results on a separate basis three years ago.

With one or two exceptions, sectors of the economy which a year ago were beginning to wonder if the recession would ever end are now experiencing rising output and profitability; exporters are doing particularly well.

For all that, the recovery in Wales is relative. According to the Wales CBI's survey, it is running behind that of Britain as a whole, though the gap is narrowing. Furthermore, while the steep rise in unemployment Wales has experienced since 1979 appears to have halted, the prospects of significantly denting a jobless rate of some 16 per cent or 180,000, of whom one-third are under 25 and one-third have been out of work for over a year, are not promising. Indeed, the evidence suggests that unless there is a radical

departure in the Government's economic strategy, with greater emphasis upon the creation of jobs, Welsh unemployment is likely to move still higher. In the forefront of thinking is the fate of the Welsh coal mining industry. Last year, the South Wales coal field's operating deficit totalled £100m, or half the total net losses of the National Coal Board.

This was despite a steady trickle of closures which has seen the number of South Wales miners shrink from 80,000 to around 21,000 over the past five years and the number of South Wales pits from 36 to 28.

Barring an outright victory by the miners in their present strike, and therefore the provision of substantial additional capital resources for the industry, South Wales is likely to figure prominently in any moves to reduce the British coal industry's unprofitable, high cost capacity and manpower.

The miners' strike has also highlighted the fact that the difficulties of Wales' other traditional industry, steel, are also by no means definitely over, despite the enormous jobs losses and reductions in capacity over the past five years and the dramatic improvement in its competitiveness. The European Commission is still demanding a further cut in the British Steel Corporation's steel

capacity of 500,000 tonnes and the choice is being portrayed as one between Ravenscraig in Scotland and Llanwern in South Wales.

Prior to the miners' strike, Llanwern looked the safer of the two, not least because in the financial year which ended in April, it was the one major UK strip steel plant to make a profit. Now the outlook is more cloudy. In any case, until such time as the European steel industry has been satisfactorily restructured and returned to general profitability, uncertainty will remain.

Efficiency

The pressure on both these traditional, and still major, Welsh industries stems not only from the Government's drive for greater efficiency in the nationalised sector but also its continued determination to curb public expenditure, which has significant implications for other parts of the Welsh economy. Public administration and services were an important source of new employment opportunities during the 1970s. But the tightening squeeze on local authority and health service spending, combined with technological change, is choking off employment growth in this sector.

In short, the Government is looking largely to the private sector to provide the new job opportunities and to reduce Welsh unemployment to less unacceptable levels. The question is whether the Welsh economy is equipped to meet this challenge.

The Welsh manufacturing economy was built up in the post second world war era by a

combination of Keynesian demand management and a regime of generous regional development grant incentives designed to persuade growth industries to expand out of areas of relative labour scarcity into those Wales where it was relatively plentiful.

But the net result of policy changes over the past decade by both Labour and Conservative Governments has been to shift Welsh industry from a position where it enjoyed a relatively protected position within a more buoyant British economy to one in which it is far more exposed to the cold winds of international industrial competition.

The process now looks set to be taken a stage further by the Government's plans for further curbing regional development expenditure, details of which are due to be announced in the autumn.

Many companies in Wales have invested to meet the challenge of living in this far harsher economic climate and are poised to do very well. But as a recent report from the Commons Welsh Affairs Select Committee identified, the Welsh economy overall is still characterised by a low proportion of managerial and pro-

fessional personnel, a small-sized business services sector, an unfavourable rate of new product innovation and a high proportion of branch factories. It is hardly an ideal structure for generating a large expansion of new employment opportunities in the private sector.

Encouragement

The Government has tacitly recognised this in a number of directions. Far from curbing the activities of the Welsh Development Agency—a product of Labour's 1970s industrial interventionism—the agency these days is being given every encouragement to increase the birthrate of new Welsh enterprises and the expansion of existing ones by adopting an ever more ambitious merchant banking role.

The official machinery for attracting inward investment to Wales, with the aim of adding considerably to the 200 overseas companies with Welsh plants, was radically revamped last year to create a new body—Winvest.

More recent still is the go-ahead given to "Wintech," another new publicly-financed body under the wing of the WDA, designed to make Wales "technology friendly." Its task is to persuade and help exist-

ing Welsh industry to adopt new technology as rapidly as possible, so as to maintain its competitiveness, and to encourage the growth of new, high technology, enterprises.

The real estate required for such growth is also being created, but again mainly through public sector initiative. Cwmbran Development Corporation is behind the construction of a specialist complex for fledgling new technology ventures, nearing completion on its highly successful Llantarnam Industrial Park. Clyd County Council and the North East Wales Institute were the instigators of a Business Centre for Advanced Technology on Denbigh Industrial Park, North Wales.

The WDA is also working on plans for other science parks and facilities for attracting more new technology jobs, though in a number of instances their go-ahead is dependent upon funding being forthcoming from the private sector. This is notably true of a scheme to attach a science park to Swansea University.

But public finance and initiative, in the form of Urban Development Grants, is prominent in Wales' two major inner city redevelopment schemes

which are transforming Swansea's South Dock into a marina and housing and leisure complex and are due to do the same for an important slice of Cardiff's dockland.

On a more modest scale, local authorities, as much as private industry, have been instrumental in building small business accommodation to house ventures which will hopefully produce the growth companies of tomorrow, and in developing a network of local enterprise agencies across Wales.

Regeneration

However, the extent to which local authorities can make an important contribution to economic regeneration is becoming increasingly circumscribed by the Government's objective of clamping down further on local authority spending.

Therein lies the worry. There are limits to how far the Government can meet its policy objective of curbing public expenditure without also weakening the contribution to economic recovery expected of the private sector. In Wales in particular, the two are closely interlinked, and there are signs

Mr Nicholas Edwards, the Secretary of State for Wales, is

running out of room to manoeuvre.

Last December he was forced to introduce a four month moratorium on all capital spending. This delayed a wide range of capital projects, including strategic road improvements in North and South Wales essential for Wales' industrial attractiveness. As it is, the CBI, though it supports the Government's general strategy, remains deeply unhappy over the level of investment in infrastructure and last month called for a doubling of expenditure.

Cuts in other directions have been even more drastic. A successful housing repairs grants scheme which showed signs of eating into Wales' exceptionally large inheritance of substandard housing was suspended in mid stream. The WDA's budget for derelict land clearance this year has been halved.

Looming on the horizon are the changes in regional policy due to be announced this autumn. Any dilution in Wales' benefits could well discourage capital investment by existing Welsh companies and weaken the drive to attract new ones. Both are essential if the private sector is to make the contribution to Wales' economic regeneration expected of it.



Left: computer graphics at Cardiff University Industry Centre. Top right: the Menai Bridge in Gwynedd. Bottom right: Swansea shopping centre

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Concern over threat to aid

Regional policy

IT WAS last December that the Government announced in a White Paper, that it was pressing ahead with its manifesto commitment to reshape regional development policy. Although views were invited from interested parties, it was made clear at the outset that the Government is determined to move away from automatic grants to a more selective approach, reduce the amount of taxpayers money spent on regional incentives, while, at the same time, extend at least some of the benefits of regional aid to the West Midlands.

Unhappiness in Wales over the impending changes is widespread. A three-month investigation by the Common Welsh Affairs Select Committee into the subject this spring triggered a universally hostile response to the prospect of any dilution in Wales' regional aid benefits.

The CBI's Wales chairman told the committee "that the present level of regional aid was absolutely essential to maintain investment in new jobs and that any cutback could nip Wales' recovery in the bud. A spokesman for the Welsh District Councils went so far as to describe the White Paper as the most ill-informed piece of policy making ever to hit Wales. The local authorities were particularly incensed at the White Paper's lack of acknowledgement of their efforts in the industrial field.

The upshot was a unanimous report from the Conservative-dominated committee urging the Government to rethink its position. Far from accepting that there should be a diminution in the number of areas qualifying for regional aid, in order to concentrate resources upon areas of greatest need, the committee called for the whole of Wales to be redesignated as

an assisted area—the position prior to 1978.

It argued that the present patchwork is confusing to industrialists and also noted that Britain designates a smaller proportion of its area for industrial assistance than do most members of the European Economic Community — an important source of grants and loans towards Welsh infrastructure and industrial projects.

Confined ability

The committee also called for any savings made by phasing out automatic regional development grants to be used to introduce more generous selective financial assistance through the Welsh Office, and to provide additional resources for the Welsh Development Agency, its rural cousin, Mid Wales Development, and local enterprise agencies; as well as the increased aid requirements required by an extended assisted area map.

The committee's arguments were all the more persuasive, give the White Paper's emphasis on the need for more indigenous growth to tackle regional economic problems rather than relying upon industrial mobility and transfer of jobs.

Compared with other regions with high unemployment, Wales' ability to take advantage of economic recovery is still constrained by a low proportion of managerial and professional personnel in the overall force, the small size of its business services sector, an unfavourable rate of product innovation and the high proportion of branch factories.

The reasons for this are complex but clearly an important factor has been that in Wales' traditional industries—steel, coal and tinplate—the trend for the best part of a century, has been towards concentration into fewer and larger units requiring large amounts of capital.

This has been unhelpful in

creating an economic environment in which it is commonplace for a middle manager and foreman to go off and start an offshoot business on their own, broadening the local economic base.

Faced with this analysis, the select committee commented to the Government a more comprehensive approach towards assessing regional needs put forward by one of its advisors, Mr Ross MacKay, Director of the Institute of Economic Research, at University College, Bangor.

Rather than being assisted areas status solely upon average unemployment rates over a period, it suggested that the Government should use a broader measure of need, taking account also of activity rates, long-term unemployment, the level of redundancies, percentage decline in employment, and what is described as "indigenous potential."

Indigenous

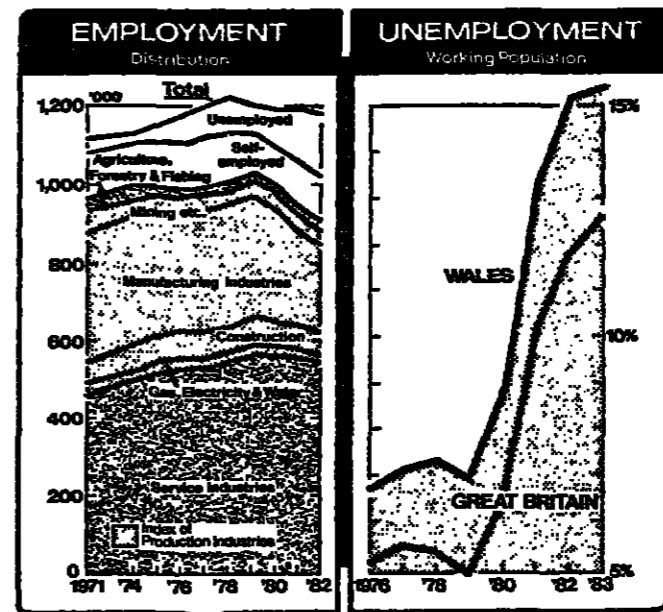
Indigenous potential would be assessed via another index, based upon industrial structure, education, occupational mix, savings, home ownership and disposable income. Using this broader measure, Wales emerges as the worst off region in Britain, followed by the North, the North West, and then Scotland.

It remains to be seen how the Government responds. The new regional aid regime is due to be introduced in the autumn and will run in parallel with the existing arrangements for 12 months.

It could well include innovations which will be distinctly helpful in tackling some of the Welsh economy's weaknesses.

But the worry remains that, overall, the new regional policy package will significantly weaken Wales' ability to rebuild its economy after the ravages of the recession.

Robin Reeves



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A hint of high adventure

Welsh Development Agency

WHEN THE BBC's satirical programme, "Not the Nine O'Clock News," did its "Failed in Wales" take-off of the Welsh Development Agency's "Made in Wales" advertising campaign it was much too close for comfort. The chuckles could be heard even in the Welsh valleys.

The WDA has been badly burnt by some of its investments, the most publicised being gelatin producer P. Leiner, which went bust taking £1m of WDA money with it. Equally galling was the overnight disappearance of fire engine manufacturer's Merryweather to which it had extended rent free factory accommodation to go with the £1.5m in aid provided by the Welsh Office.

But for 18 months or so the agency has been undergoing radical change, although not all of it yet apparent to the outsider.

A full time job

It began with the appointment in late 1983 of former BOC managing director John Williams as chairman. Initially this was a part time appointment but with the death of the then chief executive and retirement of the chief administrative officer it quickly became a full time job.

Like Mr Williams, his new chief executive has extensive private sector experience. Mr David Waterstone, appointed to the job last October, is a former BSC man most recently as chairman of Redpath Dorman Long which he left in 1981 to run his own property development company in his native Scotland.

"I've been given a broad brief," says Mr Waterstone, "and that is to improve the Welsh economy. It is not my responsibility to create jobs. I wouldn't have taken the job if it was, because that leads to the wrong decisions. Creating jobs is the role of the grant-giving bodies. The only criterion for the WDA should be to attract viable investments."

Having established these principles Mr Waterstone says he wants "to get on with the job."

He has begun with the agency itself. When he arrived, he says, there were far too many "bees-in-a-bottle" rules. "We shouldn't fetter ourselves with chains so I've loosened them."

His staff, he claims, are now behaving "much more like businessmen than civil servants." He has, he says, introduced a straight management line and appointed eight regional managers. There were regional offices before but he has stepped up the number and given them greater autonomy and he emphasises, responsibility.

Regional managers are now allowed to make their own decisions on investments of up to £25,000. The additional re-

sponsibility, Mr Waterhouse argues, "keeps them on their toes and is producing results." The quicker decision making and closer involvement with the local community, is, it is true, already being appreciated in the field, although there is still a feeling that the WDA still has a long way to go.

In return for the added responsibilities Mr Waterhouse wants to be able to reward his staff "by results" but acknowledges that he will have to tread carefully since it will mean turning the established civil service pay structure on end.

In the past the WDA emphasis has been on industrial property development. In conjunction with the steel closures programme the WDA has undertaken one of the biggest industrial building programmes ever, amounting to some 22m sq ft. Some 13 to 14 per cent of WDA's buildings are unlet. Mr Waterhouse considers this to be too high a ratio but, acknowledging that the agency will always have to undertake some advanced or speculative building, he would not expect it to be entirely eliminated. He hopes, however, to bring it down to 8-10 per cent.

In future the building programme will be more selective. The WDA will build "where the private sector can't or won't." He singles out tourism projects as ventures which the country needs but which are often difficult to finance. There will be more "bespoke" buildings for industrial needs. He is already discussing joint projects in partnership with the private sector, particularly in the high technology field where the WDA has the customers looking for accommodation.

He sees the WDA as the catalyst for attracting private sector funds using "a little agency money" to encourage private investment. Very much in line with the present government's thinking, he says: "We want to see in as much private sector funds as we can. We want them to take some of the risks."



Mr David Waterstone: brief is to improve Welsh economy

turnover or profits.

To illustrate the success of the WDA's new initiatives in venture capital Mr Waterstone points to the £7m investment package which it put together to lure the floppy disk manufacturer, Parrot Corporation, to Cwmbran.

Higher risks inevitably mean higher chances of failure and the WDA does not have too happy a record. (In its last financial year 14 companies failed representing 7 per cent of WDA's investment clients). Its past failures, the WDA's new chief executive attributes to its previous "hands off" approach to management.

High risks, he says, require a high level of "after care."

In line with this change in policy it has set up its Executive Secretariat (Essec) scheme whereby senior executives are seconded for a period of up to six months from major companies such as ICI, BP, Shell and Control Data to provide expertise for smaller companies with up to 150 employees. Their services are free, apart from a small charge for travelling costs.

Also in keeping with its more adventurous policy Mr Waterstone says that the WDA

will be actively encouraging enterprise zones. In the past he claims the WDA was somewhat "antagonistic" towards the zones, seeing them as a "dispensation of effort." He feels differently. "We should be saying "that energy, not put a cork in it."

The WDA's wind of change is not confined to its initiatives on the venture capital front. A new initiative, Wales Investment Location (Winvest) has been set up to combine the past activities of the Welsh Development Corporation, which for 25 years had been responsible for promoting Wales overseas, with the inward investment activities of both the WDA and Welsh Office.

Unlike its predecessor the WDC Winvest can offer potential investors a complete package, including grants from the Welsh Office and premises from the WDA. It claims to have attracted promises to set up in Wales from 20 companies offering some 2,500 new jobs.

Commercial reality

Emphasising Wales' desire to stimulate investment in high technology investment the WDA has recently established Winvest to promote technology exchange between industry and university and to translate new ideas and products into commercial reality.

The WDA's claimed rejuvenation is being given the benefit of the doubt by those involved in regenerating Welsh industry at grass roots level. In the end it will be judged by results.

Mr Waterstone claims that during the last financial year, 25 per cent of all inward investment to the UK came to Wales — a better achievement than for any other region. He says it is still too early to make projections for the current year but hints that there are some "very, very interesting projects, some of them quite big" under negotiation which could come to fruition in the next two to three months.

Margaret Hughes

CWMBRAN: WHERE HIGH TECH MEETS M4

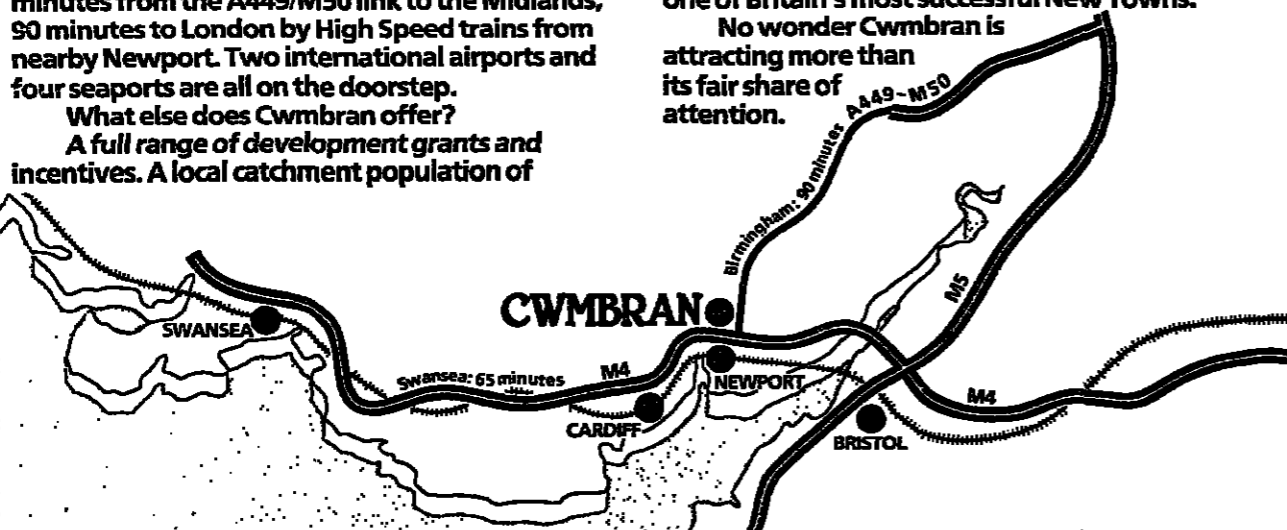
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Taking on a heavier load

Severn Bridge

"PUBLIC PERCEPTION OF the problem is more important than the problem itself," Mr David Waterstone, chief executive of the Welsh Development Agency, was commenting on the recent controversy which has surrounded the condition of the Severn suspension bridge.

Certainly, the chances of running into a traffic jam on the M4 are far greater at the Chiswick flyover in London than at the Severn Bridge which, since it opened in 1966 at a cost of £3m, has developed into South Wales's industrial lifeline. But Mr Waterstone admits that at least two inward investment projects have been lost to South Wales because of the adverse publicity.

Concern over the bridge's adequacy has been growing for years, as traffic growth has outstripped original forecasts and special repair and maintenance measures have become an almost annual event.

Concern turned into alarm last autumn with the leaking of a report by consultant engineers, Mott, Hay and Anderson, which suggested that under certain freak conditions the bridge was in danger of collapsing. It triggered a crescendo of demands not only for the implementation of a major programme of strengthening



The Severn Bridge, South Wales' industrial lifeline: concern over adequacy.

work, then under consideration, but also for the building of a second Severn crossing. The Government has now responded to the pressure. Some £35m is being spent over the next four years to enable the bridge to carry heavier loads. In the meantime, traffic restrictions have been introduced on the crossing to prevent a large build-up of heavy vehicles on the bridge at any one time, thereby keeping loadings well within safety limits.

Considerable efforts are being made to minimise any traffic disruption, by carrying out the work during off-peak hours and ensuring that any complete closures of the bridge are "few and brief" and, where possible during

the night. Advance warning of all restrictions are being posted as far back as Swindon to give the drivers the option of diverting through Gloucester.

But a continuing irritation is that bridge users are likely to be left meeting the cost of the repairs. A public inquiry is to open shortly into government proposals for raising the bridge tolls to meet the £35m bill. It will be surprising if the case being argued against the increases and, indeed, that the tolls should be scrapped.

It is the only toll bridge on the UK motorway network—successful. On the demands for a second crossing, the Government has not yet given a firm commitment. But Mr Nicholas

Ridley, the Transport Secretary, has agreed to commission a £1m feasibility study. This will examine the possibility of building either a second bridge, or a bored or immersed tunnel close to the existing crossing. This study is due to be completed within two years but the generally projected cost of a second crossing is generally put at around £100m for a bridge or £120m for a tunnel.

There is a possible third option—the building of a mini-tidal barrage a short distance below the present bridge which could also carry a road-deck. This idea has been submitted to the Department of Energy by Wimpey Construction and consultant engineers, W. S. Atkins, primarily as a power generation project.

Furthermore, as a result of government departmental debarment, it will not form part of the second crossing feasibility investigation. But the Transport Department has left the door slightly ajar for this solution by saying that it other studies demonstrate that it could be worthwhile considering a combined bridge and power project.

The cost of the Wimpey-Atkins mini-barrage plus road-deck is estimated at some £300m at current prices. In power terms it would be capable of generating 1,050 Mw at a cost of £265 per megawatt hour. But for the moment, official attention is concentrated upon the far more ambitious Severn barrage scheme proposed between Llanrook Point, near Penarth to Weston Supermare in Somerset.

This project is being investigated by the Severn Tidal Power Group, a consortium of five major engineering companies. The former Government backing for a £500,000 study which is due to be completed this autumn. They are working out if such a barrage could be built and run by private interests, starting construction in 1991 with a view to opening the barrage in the year 2000.

Again, the prime purpose of this barrage would be power generation. The initial investigation undertaken by a committee headed by Sir Bernard Bown, the former government Chief Scientist, recommended that it should be built in the national interest. They estimated the cost at £50m, but stressed it would be capable of meeting 6 per cent of UK electricity demand.

But this barrage too could carry a road, and it is being argued in some quarters, that it would serve adequately as a second Severn traffic crossing; allowing only a few miles to journey between West Wales and South-east England as well as shortening the travel distance between Wales and the South-west.

Robin Reeves

Why dairy farmers are up in arms

AVERAGE dairy farm income last year was 65 per cent of the level five years ago, lowland sheep and cattle 45 per cent, hill sheep and cattle 50 per cent and cereals 180 per cent.

Together with the special treatment extended to the Irish dairy industry, these figures explain in a nutshell, the widespread demonstration by Welsh dairy farmers taking up the Outgoers Scheme "an offer of £850 a cow compensation, payable over five years, to producers agreeing to give up dairying."

Agriculture

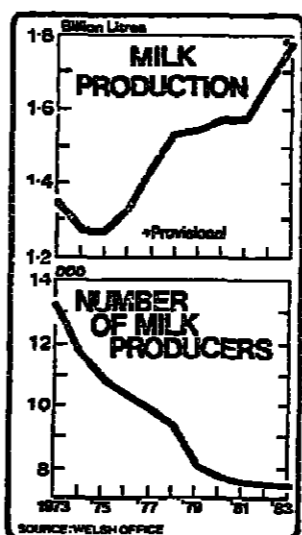
Milk production accounts for some 46 per cent of agricultural output, followed by beef (17 per cent) and sheep (16 per cent). It is the most important activity in an industry which makes a 4 per cent contribution to the Welsh GNP and which is responsible for 5.5 per cent of Welsh employment.

Over the past decade the number of Welsh milk producers has fallen dramatically, from 13,172 in 1973 to 7,428 last year. But significantly the number of milking cows in Wales has increased from 371,000 to 377,000 over the same period. In other words, there has been a concentration into larger more efficient units, particularly over the past two years. Between 1981 and 1983, the amount of milk sold off Welsh farms rose by 13.4 per cent.

The deal requires dairy farmers to cut back milk production by 9 per cent of their 1983 output, with no compensatory increase in the milk price. Indeed, there will be additional deductions.

Together with inflation in the cost of inputs of 6.7 per cent, the new dairy regime will, in the words of a Farmers' Union of Wales report "have a devastating effect on dairy farm incomes during the coming year. Unlike their Continental counterparts, many of whom have jobs outside farming, dairy farmers in Wales are in the main fulltime and are totally dependent on farm income for their livelihood."

The Government has set aside 21 per cent of the milk quota to help hardship cases. These will include dairy farmers hit by natural disasters, disease or theft, and those caught in the middle of major capital expenditure programmes. Claims are being invited by July and they will be dealt with by specially-created tribunals.



SOURCE: WELSH OFFICE

The Government is also hoping to help smaller producers by redistributing a further 21 per cent of the quotas to those with 40 cows or under from dairy farmers taking up the Outgoers Scheme "an offer of £850 a cow compensation, payable over five years, to producers agreeing to give up dairying."

It remains to be seen how many producers take advantage of the scheme. The difficulty in many parts of Wales is that scope for alternative enterprises which could give a comparable income is limited.

That said, just prior to the infamous Brussels milk deal, the EEC did agree to a long pressed-for extension of less favoured areas status from 57 per cent to 80 per cent of the land area of Wales.

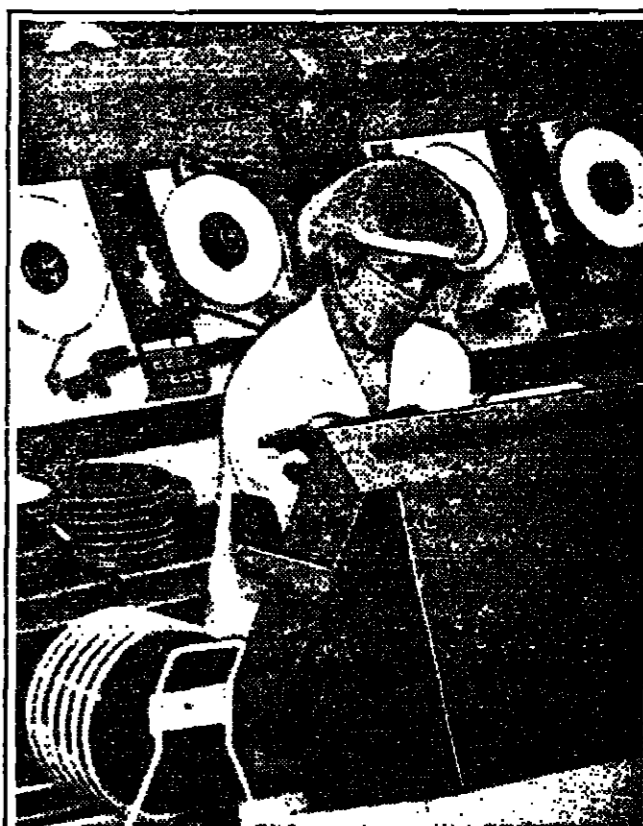
The newly-qualifying areas cover a large part of the relatively poor quality land used for milk in South West Wales, notably North Carmarthen and the Telfi valley. Farms in these areas will now qualify for higher rates of capital grant towards new investments, and from January 1, next year, for headage payments on cattle and sheep at half the rate in the original mountain and hill farm areas.

In short, while the profitability of milk is being reduced, the profitability of other livestock enterprises in these areas is being increased; though there will also be small incentive to remain in milk in the form of a 1 per cent rebate on the corresponding levy on the output of the venture.

Welsh farmers are also well aware that EEC regimes guaranteeing sheep and beef cattle prices are by no means secure. The variable premium scheme for sheep and cattle, which have served Welsh producers well in recent years both suffer from the disadvantage that they are special to the UK, and therefore under common market pressure from other Common Market agriculture ministers.

But should this year's upheaval on the economics of Welsh milk production lead to a sharp exodus of producers and marked decline in output it will have serious knock-on effects for the milk processing industry—80 redundancies were announced among workers at four Welsh creameries this week as a direct result of the new EEC milk curbs.

R.R.



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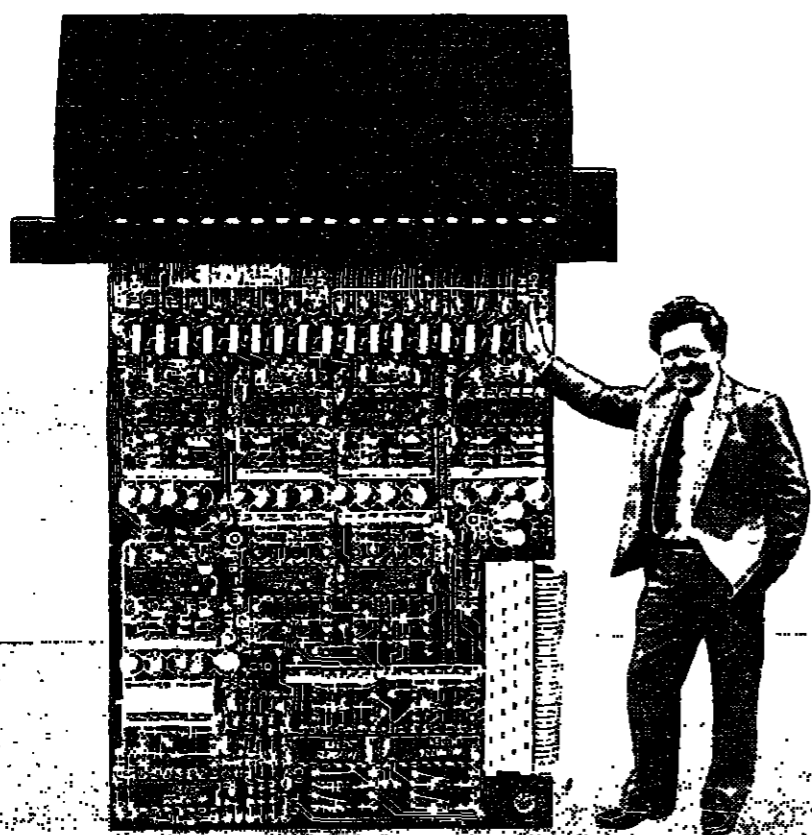
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Control Data House,
179-199 Shaftesbury Avenue,
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According to a recent survey by a research organisation Electronics Location File, more companies are now inclined to opt for Wales rather than Scotland to establish a new manufacturing base.

R.R.

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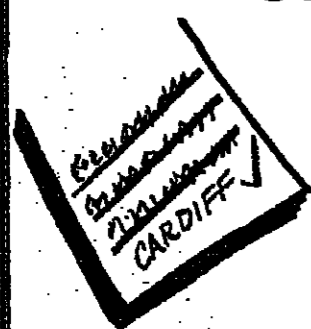
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CARDIFF A CAPITAL CHOICE

WALE'S BID to carve out a significant stake in the burgeoning electronics industry has taken a significant step forward over the past year.

Notable new arrivals include the Japanese Sharp Corporation which is building a video recorder manufacturing facility at Wrexham, the U.S. Cordial Communications Corporation which is establishing an automated plant near Cardiff to produce advanced telecommunications equipment; and the Parrot Corporation which is building Britain's first fully integrated floppy disc manufacturing plant at Cwmbran (Gwent).

There have also been a range of smaller developments and some significant expansions by existing, well-established companies.

The Welsh Office Industry Department calculates that there are now 100 companies in the electronics sector in Wales employing about 14,000 people.

But equally, recent events have underlined that sections of the electronics industry are a high risk business and the growth and expansion are by no means guaranteed. The recent news that Dragon Data has been driven into receivership was particularly salutary.

Spawned in 1982 as a major diversification by the toy group, Mettoy, the company's Dragon 32 home computer quickly outstripped its ailing parent's ability to finance its expansion and a majority stake in the company was purchased by a consortium which include Prutech and the Welsh Development Agency.

There is still a hope that the business can be rescued. The receiver is talking to a number of potential purchasers among them the Tandy Corporation, of the U.S. But there are doubts whether the manufacturing facility at Kenig Hill, near Port Talbot which employs 150, will survive.

Another instance is the future direction of Wales's most famous electronics company, Immos, six years after it was launched as a major state-backed venture, Immos is now

in profit, but the Government is determined to dispose of the 75 per cent share in the company held by the British Technology Group.

Immos has plans to build a second facility, costing £20m, close to its Newport plant to assemble microchips. But further expansion depends upon the company securing fresh cash resources and this cannot be done until a buyer (or buyers) approved of by the Government comes forward.

Against these uncertainties, another home-grown electronics group, AB Electronics Products, has been going from strength to strength. At the last count six months ago had soared by more than 150 per cent to £2.4m while sales were up by 80 per cent to £29.7m.

Electronics

The company is expanding on a broad front developing manufacturing components and assemblies for computers, automotive electronics, defence, telecommunications and cable and satellite television.

A major new computer manufacturing complex is being created at Rogerstone, Gwent, to handle major assembly contracts secured from IBM and Acorn, which is due to create 350 jobs.

The new factory is also being built at Cardiff to produce automotive electronic products for which the company has a major contract from Jaguar, while further north, at Pontypridd, work is well advanced on the group's new Wolsey TV signal distribution equipment facility. Well aware of the nature of the electronics business, the group is determined not to allow the computer side to dominate its fortunes.

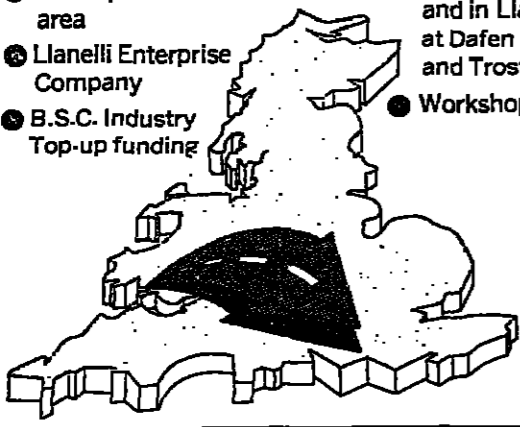
Another headline-catching development has been the decision by the Parrot Corporation to build Britain's first fully integrated floppy disc manufacturing plant at Cwmbran. The £7m project by a number of former senior personnel of

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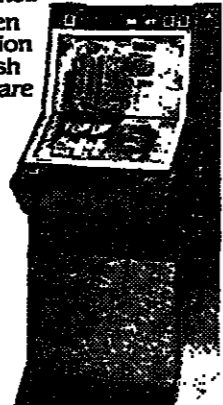
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Wales - The Tourism Connection - your investment opportunity



One reason tourism in Wales has proved one of Europe's continuing success stories is that so many attractions are concentrated in one accessible and easily travelled area. This has been illustrated this year by the Festival of Castles which has been an undoubted success. But there are many other factors that make Welsh Tourism such good news both for the Welsh economy and for investors big and small. The private entrepreneur has been quick to appreciate an environment that encourages personal skills, flair, commitment, and financial involvement. Helped and supported by sound organisation, publicity and marketing, the industry has climbed to second importance in Wales. The Wales Tourist Board continues to act as the catalyst in furthering the development of tourism opportunities. Working closely with such helpful team-mates as the Welsh Development Agency, Mid Wales Development and the Local Authorities, the Wales Tourist Board is a useful go-between in a wide range of enterprises. A spectacular and current example is the development of marinas around the Welsh coastline. These, together with the opportunities in other sectors, offer considerable investment opportunities.

WALE
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For further information contact
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Brunel House, Fitzalan Road, Cardiff CF2 1UY
Telephone: 0222 499909 Telex: 497269

Customs' stance 'jeopardising investment'

The listed Pheasantry restaurant as finance houses. The project is expected to involve an investment of between £11m and £12m and further funds will be raised from banks and other financial institutions. The Government has made clear that freeports will have to be self-financing. There will be none of the incentives available to enterprise zones, but individual companies will be eligible for the same development grants and loans from the European Coal and Steel Community available to anyone else setting up in the Cardiff area.

One of the problems threatening investment, however, is the short duration of the licence under which all freeports will operate—five years. All six developers are lobbying the Treasury to get this changed so that the land at least is permanently designated a freezone.

Cardiff freeport

The consortium included several Welsh companies—quantity surveyors I. E. Symonds and two architectural partnerships—Lawray and Dale Kennedy. Consultant engineers are Ove Arup and there are two letting agents in the group, Debenham Tewson and Chinnocks will be responsible for securing overseas clients and the locally-based, Fletcher Morgan, for UK companies. Another key member is Eurofi which will advise clients on the various grants and financial incentives available in the Cardiff area.

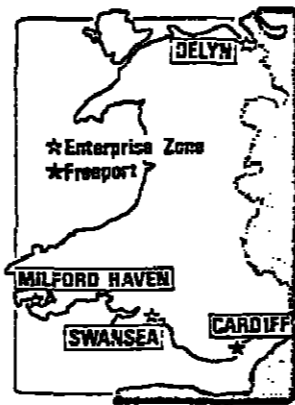
Cardiff is the only freeport which is to be developed by a wholly private group. Elsewhere either the port or airport authority or local council is involved, sometimes with private partners.

The Pearce consortium as such has now been disbanded and replaced by a newly registered company, Cardiff Freeport Limited. The initial share capital of £100,000 is wholly owned by the Pearce Group but the intention is that part of the equity will be taken up by the other partners in the project. It will be an expanded group to include, for instance, whoever comes in to operate the bonded warehouse as well

Tremorfa foreshore close by Roath Docks is on the reclaimed land of the former East Moors steel plant, the land, which is fully serviced and landscaped, is owned by the Welsh Development Agency (WDA) but Cardiff Freeport is negotiating a price for acquiring it. There are some 40 acres of which 32 are usable. Cardiff Freeport also has the option on another 40 acres.

Cardiff freeport is the only one with a nearby port and airport facility and a heliport on-site. It is also without easy access of both the M4 and M50. The operator plans to build "bespoke" units which will be constructed on a pre-let basis in keeping with demand. The first units are expected to be ready in about a year.

For the time being, however, Cardiff like the other proposed freeports is in a state of limbo awaiting government legislation to establish them as legal entities. The whole process of establishing freeports in Britain has been tortuous from the start



with much resistance from such key bodies as the Customs and Excise authorities. The Treasury's attitude has also been lukewarm and even now freeports are being undertaken on an essentially experimental basis.

The developers want the legislation to actually deliver the advantages inherent in the freeport concept. But, according to Mr Kenneth Carroll, project manager of Cardiff Freeport, the Customs authorities are proving too inflexible in their interpretation of the proposed regulations. There is, he argues, a real danger that Customs will "kill" the freeport concept before it gets off the ground.

He points out that the ideal freeport company importing all its raw materials, processing them in the freezone and then exporting all its output are fairly thin on the ground. Most freeports nowadays comprise a mixture of exporters and those selling to the domestic market. To the latter group the deferral of VAT payments is as important as the delayed payment of import duties.

This cash flow benefit will become all the more important from October 1 when VAT payments on imports will have to be paid within one month of becoming due instead of the present three months. It should thus be an additional advantage to freezone operation but Customs insist that the supply of goods between companies within the freeport should be subject to VAT even if the eventual user is an exporter. Mr Carroll says this interpretation is unacceptable to many potential clients, particularly electronic companies.

Until such issues are resolved freeport developers like Mr Carroll are unable to do any real marketing. "How can we what we're not sure yet what we're promoting? At present Customs seems to be changing the rules as we go along."

Margaret Hughes

ROBIN REEVES PROFILES A SCHEME TO BREED ENTREPRENEURS

Bright idea for inventors

IT HAS been a long-standing complaint that large numbers of British inventions and innovations end up being best exploited by Britain's industrial competitors. A recent study by the Japanese Government of the sources of post-war industrial growth, showed 52 per cent were invented in Britain, 22 per cent in the U.S. and only 6 per cent in Japan. But, needless to say, this is not reflected in the three countries' respective economic performances.

Cardiff University Industry Centre has launched an initiative aimed at tackling the problem. CUIC was launched seven years ago, to act as a link between the university and industry and to transfer ideas from the lab to the commercial world. It now wants to establish a 5m Centre for Innovation Studies, to equate students and even school-children with the entrepreneurial thinking and skills required to develop new products and services commercially.

Study courses designed by CUIC draw on its own experience of launching new products: on experiments in teaching innovation at three Glamorgan schools carried out last financial backing from BP and the Department of Trade and Industry; and on discussions in the U.S. with the Massachusetts Institute of Technology.

The centre plans to approach financial institutions, large companies and charities for funding to introduce the teaching of innovation on a permanent basis.



Mr Clive Jones, CUIC's manager: "entrepreneurial spirit is alive and well"

both in the university and at Welsh schools. The proposed courses are divided into three parts. The first will be business studies to equip students with a basic understanding of how a business operates, how to build a business strategy and how to present it to a bank manager.

The second part will include studies of how the opportunities for innovation of new products and services arise, there being basically four route problems which can be solved by a new product or service; existing products or services which can be done better; changes in social needs or legislation; and extension of existing business.

The third part will teach students lateral thinking—to come up with large quantities of ideas for new products and services which are then appraised for quality. Mr Clive Jones, manager of CUIC, says the centre's experience shows clearly that the entrepreneurial spirit is very much alive and well.

But most students are in the position of good athletes who have never been given any athletics training to fulfil their potential. The courses run by the Centre for Innovation Studies will aim to put this right. The centre will also carry out research into the problems of innovation. Pilot courses are to be launched this autumn at the university and two South Wales schools for students willing to pursue the subject in between their normal studies. But substantially more resources are required to put the scheme on a permanent footing.

CUIC is not alone in seeing the need for such an initiative. The launching of Winchell under the umbrella of the Welsh Development Agency, to make Wales more technology friendly and encourage the growth of new technology companies, reflects similar thinking. There are also moves afoot in Swansea to establish a school of innovation. A charity, the Alexandrian Foundation, has been founded for the purpose.

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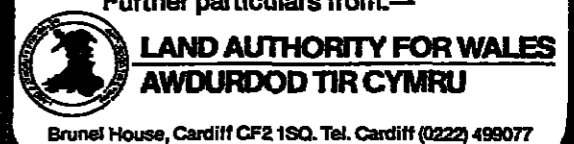
The Authority has let a site in this location on which a 19,510 sq.m. (210,000 sq.ft.) Headquarters building for Wales Gas was completed last year.

Adjacent, a further site is available having a total development capacity of approximately 17,652 sq.m. (190,000 sq.ft.) gross. It is envisaged that the development will take the form of two or three linked office blocks which could be developed as a whole or in phases.

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Tough test for Milford Haven

AN INTERNATIONAL banker used to running Barclays branches in such far flung places as Nigeria and the Bahamas. A barrister who has spent much of his working life in Singapore and still includes Prime Minister Lee Kuan Yew among his closest friends. Not quite the sort of people you'd expect to run into in the sleepy market town of Haverfordwest in Pembrokeshire.

Yet two such gentlemen—Mr Peter Davies (a Welsh speaker) and Mr John Lloyd—run Pembrokeshire Business Initiative whose task, among others, it is to get Wales' newest enterprise zone off the ground at nearby Milford Haven.

Launched officially last month

by Secretary of State for Wales Nicholas Edwards, Milford Haven is Wales' third enterprise zone. Because it traverses two district councils—Prestell on the north coast and Haverfordwest on the south shore—management of the zone has been delegated under a three-year contract to PBI, an enterprise agency set up only last year. The other two enterprise zones—Delyn in Flint and Swansea—are run by their respective local authorities.

Milford Haven differs from the other two enterprise zones in being also more fragmented. It comprises 630 acres on the two shores of 13 different sites. Less of the land is owned by the local authorities than elsewhere—some 42 per cent is in a variety of private hands. Much of it is former dockland including the former Royal Naval dockyard. There are existing facilities on several of the sites: others are green field and some land has still to be reclaimed.

Some 50 companies are already operating within the zone in facilities which existed before it was designated. But unlike Swansea, Milford Haven does not have the same scope for relocating existing local industries within the zone—they are virtually non-existent. The challenge, therefore, will be in luring new companies to the area.

Several of the sites have deep water access to one of the world's finest natural harbours the advantage of facilities and established when Milford Haven became a major oil port. A daily ferry runs between Rosslare in Ireland and Pembroke Dock with ro-ro freight services. There is a freight rail terminal at Milford Haven and this could be upgraded.

Air and road communications are less good. The airport at nearby Withybush can take only light aircraft and once off the M4, south of Carmarthen, it is still very much a case of winding Welsh roads although improvement are underway.

But none of this dampens the enthusiasm of Messrs Davies and Lloyd who are only too well aware of the need for investment and jobs in an area where there are cases of third generation unemployment. Despite the closure of the Esso refinery and the general running down of the oil industry there is still optimism that the area can be rejuvenated.

Some hopes are pinned on a resurgence of Celtic Sea oil exploration. More realistic aspirations, shared by the men at the PBI, is the area's undoubted tourist potential. Indeed the first new project to be undertaken in the enterprise zone will be a marina by Crest Nicholson which is expected to stimulate further tourism and leisure development.

Although it is still early days yet Mr Lloyd says he has re-

ceived firm inquiries from some 30 companies (and not one-man bands).

Among the proposed projects which he and Mr Davies are already confident will come to fruition are two based on local raw materials.

Enterprise zones

One is for the production of "foeta" cheese, whose sales have reached a princely deal with the Milk Marketing Board and have persuaded some local farmers to switch to ewes' milk production.

Another ventures envisages selling some 2m litres a day of bottled water to the Middle East.

On a grander scale Seat, the Spanish state-owned motor company, which is planning to sell 30,000 cars next year in Britain is being wooed.

Lombro has just won the franchise for importing the cars and the Milford Haven Enterprise Zone hopes it will use its raw facilities and rail links.

There the Seat plan to succeed the zone would be pulling off a coup worthy of its Swansea rival, generally acknowledged to be the most successful—as well as the first—enterprise zone in Britain.

Enthusiasm and energy is in no short supply in Swansea where responsibility for the zone is shared by the local authority's planning department, the Milk Marketing Board, Howell, and the Swansea Centre for Trade and Industry, under Mr Roger Warren-Evans. The big names which Swansea has attracted include Renault and Ford dealerships as well as Marks and Spencer and Tesco. There is a good mixture of manufacturing, retailing and servicing.

There are now 119 companies operating within the zone. Ninety nine of these moved there after it became a designated enterprise zone in June 1981. Of these 63 are new ventures, 37 new start ups and the rest new branches. Half of the new branches are offshoots of companies not previously operating in the area with 31 per cent of them coming from outside Wales.

Of the 36 companies which have relocated to the zone, the majority—30—were previously in the Swansea area. Only two companies have come from outside Wales. Investment to date is £14.5m of which £11.6m is private. Another £4.7m is expected to be committed shortly, bringing the total to over £19m.

Having got off to a dynamic start Swansea's problem is to maintain the momentum. It is by far the largest of Wales' three enterprise zones and as the oldest is becoming aware that its incentives are a declining asset.

The rates and tax holidays are available for 10 years only from the day of designation of the whole site so that Swansea only has seven years left on most of its zone.

While Swansea may be worrying about getting its site filled up the Delyn enterprise zone has just the opposite problem. It can't keep pace with demand.

Situated on the banks of the River Dee this 293-acre zone, which includes three redundant Courtland's textile mills, ran out of available units almost as soon as it was designated in July of last year. The Welsh Development Agency (WDA) has a few empty units on the Manor Park site whilst a private development by David McLean's of 60,000 square feet, due for completion shortly, should relieve some of the burden.

Delyn was a victim of last year's moratorium on local authority spending which held up the massive demolition and clearance work it has to undertake to get its zone into shape. It has committed some £4m of which about a third was urban development grants, a third from the WDA and the rest its own local authority funds.

Mr Michael Gibson, the Delyn enterprise zone officer says that the development is entering a "crucial" stage. Any hold up in funds could delay the project for at least a year, which is indeed crucial, given the 10 year designation limit.

So far Delyn has attracted 16 new companies to bring the total operating in the zone to 68 and created 211 new jobs bringing the total employment to 1,144.

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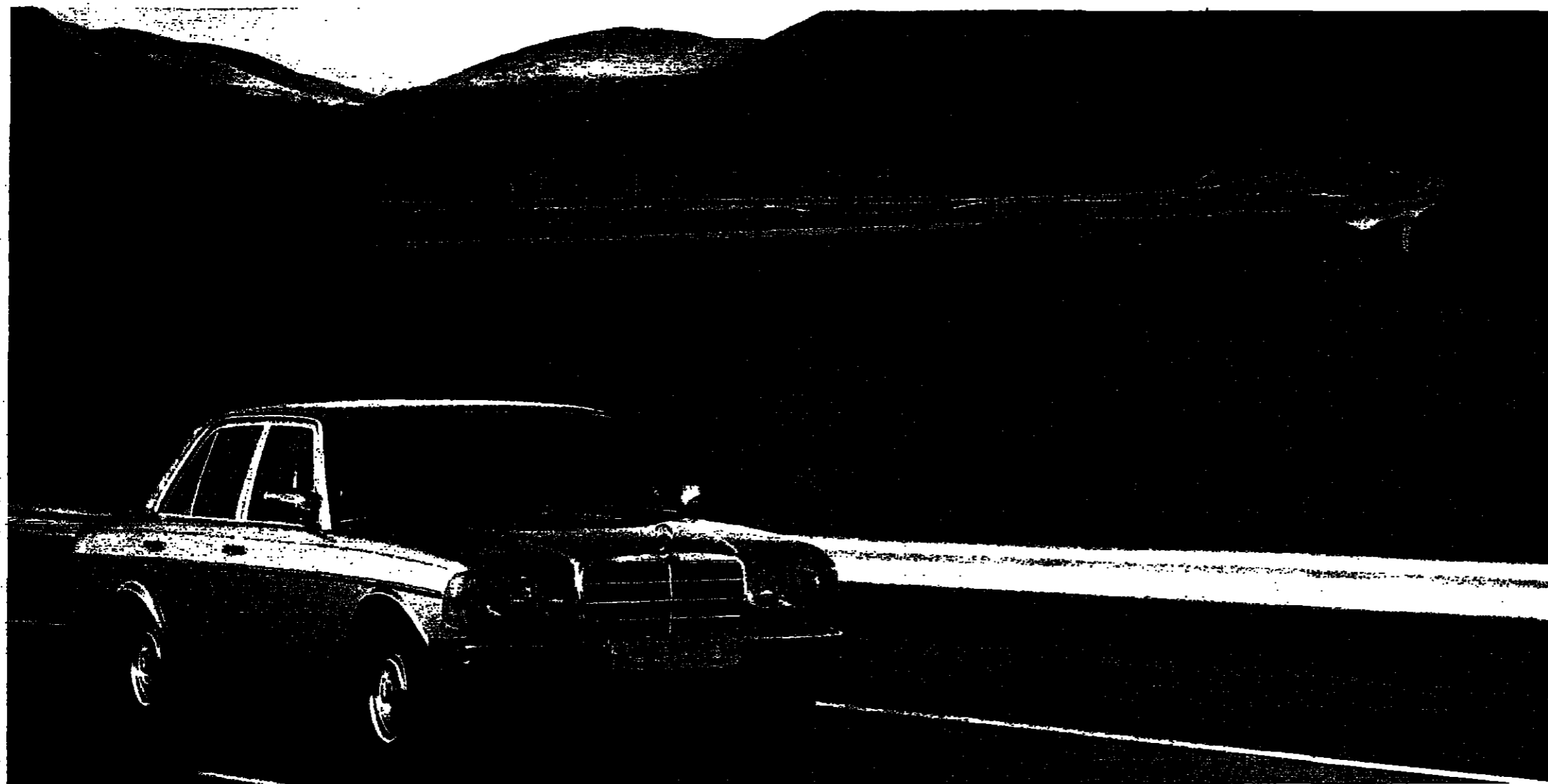
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UK NEWS

Dock strike talks open after ruling backs union

BY OUR LABOUR AND INDUSTRIAL STAFF

THE TWO sides in the national docks strike are to meet today in London for fresh talks in an attempt to settle the dispute. Since the strike - called by the Transport and General Workers Union - began on Tuesday, the movement of freight at most of Britain's major ports has stopped.

The talks were offered by the national dock employers after a condemnation yesterday by the National Dock Labour Board of British Steel, the state-owned corporation, for using non-registered labour to unload iron ore at the east coast port of Immingham.

Registered dockers at the port had refused to handle the ore in support of the striking coal miners. British Steel's action led to the strike.

The board said that British Steel had been wrong to use non-registered labour. It would be consulting its lawyers to determine whether there had been a breach of the national docks labour scheme,

which guaranteed jobs at the port to registered men.

The National Association of Port Employers immediately issued a statement saying it was willing to honour its obligations under the labour code. Its executive committee said: "It has never been part of the employers' policy to act outside the terms of the scheme."

Most of Britain's large ports are included in the registered labour scheme and the strike call has been effective at these. Pickets have been sent to other ports - not part of the scheme - in an attempt to make the strike more effective. At Felixstowe harbour, Britain's privately-owned major port for container traffic which has continued to work, a mass meeting has been called for today.

At Dover, another large non-registered port, there was a huge build-up yesterday as freight traffic was diverted to it. But a spokesman for the port said last night: "We are accepting only Dover dock traffic." Di-

verted lorry drivers were being advised that their vehicles could not be taken on the Dover ferries.

Holiday ferries have not been directly affected and the TGWU has said that special consideration might be given but that there would be no blanket dispensation. Trouble might arise if attempts were made to load freight on to passenger ferries.

Mineworkers' union leaders yesterday endorsed the 17-week-old coal strike as official.

A rapid settlement to the dispute at talks with the National Coal Board (NCB) which resume next week seems remote. A conference of National Union of Mineworkers (NUM) delegates ended yesterday at Sheffield, Yorkshire, in a militant mood. The conference voted unanimously for an uncompromising resolution to oppose all pit closures other than on grounds of coal exhaustion.

The inevitable strike, Page 18

Max Wilkinson finds analysts asking whether Thatcher has lost her touch

Sterling returns to a familiar old crisis

SUDDENLY AMERICANS are looking at their newspapers and ringing up their London brokers to find out whether Britain is sinking back into the bad old days of the 1970s.

An old-fashioned sterling crisis, the pound rescued by a rise in interest rates of nearly 3 percentage points, the miners and dockers on strike and the money supply causing more than a twinge of anxiety. Has Maggie lost her touch? they want to know.

Mr Stephen Lewis, monetary analyst for the broker Phillips and Drew, said this was the basic question behind a stream of telephone calls which he has been taking from the U.S. in the last few days.

"They want to know if the UK is slipping back into the old groove and if all the efforts of Mrs Thatcher over the last few years are coming to nothing."

On this view it is not so much a change of sentiment about the strength of the UK economy as a sudden rush of uncertainty which has contributed to the weakness of sterling during the last two weeks.

This weakness appeared yesterday to have been countered by the sharp rise in interest rates, with clearing bank base rates up 2 1/2 percentage points since Friday to 12 per cent, their highest for two years.

However, the markets remained extremely nervous, with equity prices tumbling steeply and yields on Government bonds rising.

The question which was being asked on Friday when base rates rose by 3/4 percentage points to 10 per cent was being asked again yesterday. "Will it be enough?"

The answer, with UK interest rates now close to those in the U.S. and about 6 percentage points higher than West German rates, was generally that the peak must have been reached unless there are upsets.

The factors which could upset the uneasy equilibrium between UK interest rates and sterling are evidence that the combined strength of the dockers and the miners might seriously disrupt Britain's balance of trade, or harder evidence that

U.S. interest rates will resume their upward path.

The extent to which bad news on either front would increase pressure on sterling and UK interest rates is hard to predict. It clear that Wednesday's 2 percentage points rise in base rates already represents a degree of market pessimism.

Moreover, it is difficult for the markets to guess what might happen while causes of the recent rise in UK interest rates remain obscure.

Two weeks ago the Bank of England issued a statement that it saw no domestic reason for a rise in UK lending rates. In spite of Tuesday's figures showing a 2 per cent surge in June for sterling M3, the broad measure of the money supply, the authorities' view yesterday seemed to be broadly unchanged.

Although the Bank of England endorsed the rises in interest rates, it made it clear that it was doing so reluctantly. In a television interview on Wednesday and in the House of Commons yesterday, Mr Nigel Lawson the Chancellor of the

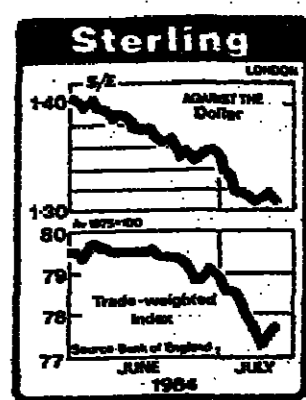
Exchequer, took pains to distance official policy from the rise.

The official line remains that the markets now determine interest rates, with the Bank of England exercising a major influence, although not the determining role.

Although this is politically a convenient line to take, few people in the market think that a clearing bank would raise its base lending rate without clearing the new figure first with the Bank of England and hence the Treasury.

The authorities' attitude, therefore, remains somewhat puzzling. Two weeks ago the Bank of England was sympathetic to the view that a moderate fall in sterling would be preferable to a rise in domestic interest rates, while the Treasury was rather more sharply concerned about the inflationary impact of a depreciating pound.

However, there were strong signals from Whitehall yesterday, that the Treasury did not want interest rates to rise as high as 12 per cent and would have countenanced at least some further fall in sterling if the markets had permitted it.



The rise in mortgage rates, now expected to be 2 1/4 percentage points, will add about 0.6 per cent to the Retail Price Index by the end of the year. This might have, psychologically at least, a worse impact on inflation than the more delayed impact of a fall in sterling. According to Treasury estimates, a 5 per cent depreciation of sterling against its trade-weighted basket of currencies adds about 1 per cent to prices after about a year.

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BT will seek overseas bids for System X alternative

BY GUY DE JONQUIERES

BRITISH TELECOM (BT) plans to seek international bids to supply it with an alternative to System X, the British digital public telephone exchange made by Plessey and the General Electric Company, later this year.

It is expected to invite three or four leading telecommunications manufacturers to submit tenders for local exchanges, which will be adjudicated next spring. First equipment deliveries would be made in early to mid-1986.

BT has not yet specified the precise size of the initial order, although it is seeking to place at least 10 per cent of its exchange purchases over the next few years with an alternative to System X.

At least part of the non-System X purchases will represent an expansion of existing procurement plans. These call for the installation of 800 System X local exchanges, or 2m lines, by the start of 1987, rising to 10m lines by 1990.

The invited bidders will be drawn from a list of six, whose systems BT is evaluating after examining a total of 19 different types of exchange.

The list includes Thorn-Ericsson and Standard Telephones and Cables (STC) of Britain, Canada's Northern Telecom, France's CIT Alcatel, West Germany's Siemens and TMC Major Systems, a UK subsidiary of the Dutch Philips group.

Thorn-Ericsson is offering the AXE system designed by its joint owner, L.M. Ericsson of Sweden; STC the System 12 exchange developed by ITT of the U.S., and TMC the No 5 ESS exchange developed by American Telephone and Telegraph (AT&T) and marketed internationally by AT&T and Philips.

BT made clear some time ago that it wanted eventually to buy a second type of exchange, to ensure that System X's price and performance remained competitive. It had not been expected to act so quickly.

It is committed to buying System X for "the majority" of its public exchange needs until April next year. Procurement from GEC and Plessey was placed on a competitive tender basis 18 months ago, although this has been used so far for only one round or orders for local System X exchanges.

BT is not the only European telecommunications administration to have decided to order more than one digital exchange system. It is the first in a major country, however, to seek bids from several international suppliers which do not already make large exchanges locally.

Competition for the contract is likely to be fierce. The successful bidder stands to win substantial further orders, and BT's seal of approval carries much international prestige.

Bus services will pass to private sector

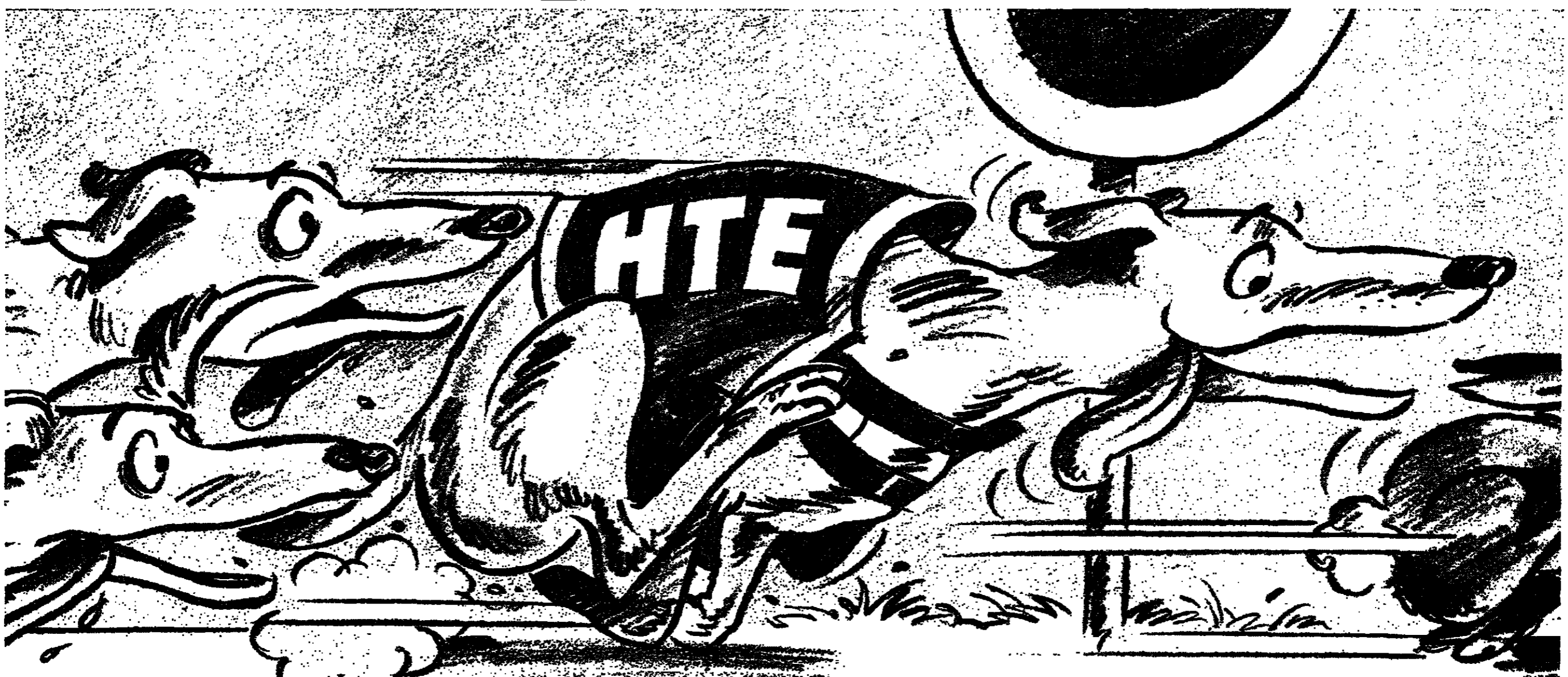
By Hazel Duffy

THE GOVERNMENT is proposing to deregulate the bus industry throughout Britain and transfer it to the private sector.

The only exception will be London, where controls on the issuing of operating licences will be retained for the time being. Legislation will be introduced at the earliest opportunity.

Local authorities will be free to seek competitive tenders for contracts to run "socially desirable" bus services which they wish to subsidise, but extra resources - up to £1m a year in England - will be available to help rural services.

Labour opposition MPs in the House of Commons yesterday predicted, that the proposals would deprive many rural areas of the bus transport.



When Mecca needed a videotex system, guess who they put their money on?

As a hare-pursuing device, the greyhound is unsurpassed. An elegant example of what computer-designers call "problem-driven thinking". As distinct from the sort of "equipment-driven" solution which would attempt to assemble the greyhound from parts of lapdogs, sheepdogs, watchdogs and gundogs...

Ensuring a palpable loss in performance and running a grave risk of leaving the hare in howls of laughter.

Yet this approach, broadly speaking, is not unknown among International Whatsisnames of

the industry.

Perusing their laden stockshelves, they compose a solution from computers designed for everyone in general and no-one in particular.

The sophisticated end-user however is increasingly seeing the cogent benefits to be gained from one-off solutions to one-off problems, in terms of performance, cost-efficiency, flexibility and life-expectancy.

So when Mecca wanted an intricate communications network to link their large chain of betting shops, using the latest Videotex

technology, they turned to HTE. Having learned of our dedication to analysing the hare precisely before even starting to design the hound.

And they were rewarded with a system, in what was considered to be a course record, which not only exactly matched their needs, but bristled with built-in facilities for future expansion.

Thus joining our list of winning connections such as Lloyds, NatWest, Sperry Univac, the MoD, Wimpey, British Telecom, the BBC...

And others who believe that for the top courses, the hound should be thoroughbred.

Should you, therefore, be contemplating putting a goodly portion of shirt on a vital micro-processor-based system, mark us on your card. You certainly can't lose by talking to us.

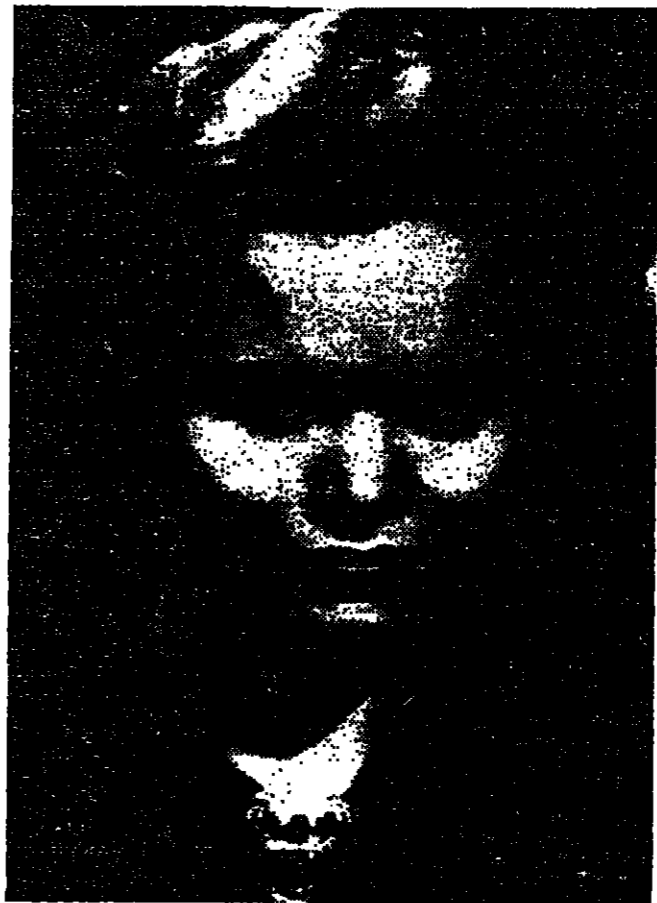
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THE ARTS

Cinema/Nigel Andrews

Summer madness and mediocrity



Renee Soutendijk in "The Fourth Man"

Police Academy (15) Warner End, Classic Haymarket and elsewhere... The Fourth Man (18) Screen on the Hill and Classic Chelsea... The King and Mr Bird (U) ICA from July 20... Mikko Naruse National Film Theatre

Two rousing headlines, couched in the unique language of "Variety-speak," have lately adorned the front page of America's top entertainment industry magazine...

This startling twofold package of optimism for the industry... But in America the numbers of films yet further indication that the threatened death of cinema is as long in coming as the death of Methuselah...

Local cinemas, of course, in both America and Britain, tell a different story. I caught up with Police Academy this week at my neighbourhood ABC and wondered, as I entered a cavernous dim-lit auditorium that seemed completely deserted...

It is now clear that in many areas of moviedom, hands initially thrown up in horror at the threat of cinema of video, cable and the other futuristic terrors of the 1980s may be put safely and cheerfully back in pockets...

Some years ago, cinema queues stretching round corners got, and still must strive for — the magical, blossoming recital on Saturday still ringing in my ears...

With the sound of the Borodin Quartet's extraordinary recital on Saturday still ringing in my ears, it is a little difficult to come down to earth on Wednesday for the Takacs Quartet...

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laughter fodder in a comedy about British police trainees called School For Bluebottles or Carry On Hendon.

Elsewhere the week is similarly inauspicious. The Fourth Man is an elaborately screwy Dutch movie directed by Paul Verhoeven. If you have ever had one of those mornings when, like our writer here (Jeroen Krabbe), you see visions of spider's webs and crucifixes...

Made with outré camera angles, Vaseline-diffused skies, stabs of surrealism (a bleeding eye in a hotel door) and enough dream sequences to keep Holland's psychoanalysts in full employ for a year, this is the kind of Expressionist film that gives reticence a good name...

Here is the handsome fast-talking hero (Steve Guttenberg) who comes on like Catch 22's Milo Minderbinder but is revealed at the end as having a heart of gold. Here is the ethnic all-ports supporting cast, including black, Hispanic, Latin and female. (Women have become an ethnic group in recent Hollywood design.) And here is the loudmouth Sergeant (Bubba Smith) who will be tokenly humiliated before curtain-time...

This film is anti-authoritarianism without tears, a tilt at the status quo with rubber-tipped lances. And it climaxes in a chilling piece of anything-for-a-laugh opportunism (which shows that the film's sympathies have really been with the status quo all along) as the massed cadets charge out in riot gear to quell a disturbance in the town's poor quarter...

It's best to gaze lovingly at the films of Mikko Naruse, crafter of limpid Japanese social and domestic dramas, which are unspooling during a month-long retrospective at the NFT. Except when he destroys the Ozu rhymer with some aerosol jets of overreaching pathos, Naruse displays a clarity and humanity that every other director this week could learn from.

Takacs Quartet/Wigmore Hall

Dominic Gill

With the sound of the Borodin Quartet's extraordinary recital on Saturday still ringing in my ears, it is a little difficult to come down to earth on Wednesday for the Takacs Quartet. The comparison is deeply unfair—but salutary (it's one they should be making for themselves, not published for each day). The attention was only drawn more closely than usual to what they have not...

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imaginative, more than merely well made account of Hayden's last F major quartet of 1799— even if to project the music ideally, the playing needed still more of that cut-glass clarity and fine, obsessive contrapuntal definition which only long experience, and endless experiment, can achieve.

Their Bartok fourth quartet was very good (the Takacs are playing the complete cycle at the Wigmore next year): the second *sonata* movement especially, a delicate Scarboesque fantasy, exceptionally fast and accurate, and the finale, raw and powerful. They were joined last by the young pianist Jenö Jandó for an easy, smoothly lyrical account of Dvorak's major piano quintet. Mr Jandó gives a solo recital tonight at the Wigmore Hall.

Arts Week F | S | Su | M | Tu | W | Th 13 | 14 | 15 | 16 | 17 | 18 | 19

Opera and Ballet

VIENNA

The Vienna Chamber Opera perform alternately Johann Strauss Wiener Blut and Mozart's La Finta Giardiniera daily (not Sundays) until August 14, at Schönböum Palace Theatre...

ITALY

Milan: Teatro alla Scala: Donizetti's Lucia di Lammermoor conducted by...

Giuseppe Patane, directed by Pier Luigi Pizzi and with costumes by Missouli Lorenza Serra, Nella Verri and Luciano Gastani. Friday (809126).

Macerata, Arena Sforisterio (20th opera season): La Bohème conducted by Jose Colliado and directed by Ken Russell — with Cecilia Gasdia and Nezzarano Antinori. Friday (40738).

Verona: Arena di Verona (62nd opera festival): Aida — with scenery and costumes based on those used in Cairo in 1913, the year in which the opera had its first performance in the Arena here (Friday). Also Tosca conducted by Daniel Oren, and directed by Sylvano Buscotti, sung by Shirley Verrett in the title role with Giacomo Aragall (Cavaradossi) and Silvano Carroli (Scarpia) on Sunday (28151).

Rome (Rome Festival): In the Cortile del Collegio Romano Mozart's Marriage of Figaro conducted by Fritz Maraffi on Fri, Sat, Wed and Thurs (9452845).

Spoleto (27th two world's festival): Teatro Nuovo: Antonio Gades, dancing with his own company, in Carmen on Friday, Sat (mat) and Sunday evening. Also Ariadne auf Naxos (sung in German) conducted by Christian Badea and directed by Giulio Chazaleates (Sat) and on Sunday at 2.00 pm. The Last Savage — a new opera by the founder of the festival, Gian Carlo Menotti. Baldo Poldi conducts the Spoleto Festival Orchestra and the Westminster Choir. At the Teatro Cino Melisso; Francesco Cavalli's Oromindo with the Chamber Opera Theatre of New York on Saturday. Festival Box Office: Rome 0674991 and Spoleto: 39209.

PARIS

Paris Opéra: Tannhäuser, Werther and a Stravinsky evening are in the repertory this week (7425750).

Opéra Comique-Salle Favart: Manon and a Stockhausen evening alternate this week. (290611).

WEST GERMANY

Stuttgart, Württembergische Staatsoper: Hans Werner Henze's rarely played Don Quichotte stars Regina Harniske and Kimmo Lampola. Ariadne auf Naxos has Maria de Francesco-Cavazza and Irmgard Stadler in the cast. Philip Glass' opera Echnaton composed especially for the Stuttgart opera and premiered on March 24, is produced by Achim Freyer and has counter-tenor Paul Eswood outstanding in a cast of high standard. Further performances of Rigoletto, sung in Italian, and Die Fledermaus.

Munich, Bayerische Staatsoper: Munich's annual Opera Festival, running from July 4 to 31, opens its third week of performances with La Bohème starring Mirella Freni, Lucia Popp and Wolfgang Brendel. Der

Orchestra and the Westminster Choir. At the Teatro Cino Melisso; Francesco Cavalli's Oromindo with the Chamber Opera Theatre of New York on Saturday. Festival Box Office: Rome 0674991 and Spoleto: 39209.

BARBER OF BAGDAD is an Otto Schenk production which brings together Lucia Popp, Kurt Moll and Cies H. Ahnjs. The praised new production by August Everding of Henze's Johanna auf dem Scheiterhaufen has Cornelia Wulkoop and Julia Varady in the leading roles. The final offering this week is Le Nozze di Figaro with Margaret Price, Ann Murray and Hermann Prey.

LONDON

Coliseum: The Dance Theatre of Harlem continues its visit with mixed programmes, and on Wednesday and Thursday the first performances of its Giselle staging which is located — according to the programme — in the Creole society of Louisiana.

Royal Opera House, Covent Garden: The Royal Ballet is playing every night, with Manon and The Sleeping Beauty on offer this week.

NEW YORK

New York City Opera (New York State Theatre): The company's 48th season has a week of performances of Candide, as well as Frank Corcorano's production of Madame Butterfly. Scott Bergeson conducting The Magic Flute and the belated La Bohème with Judith Haddon as Mimì. Lincoln Center (8705570).

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance in the theatre and an excitingly expanding mar-seating pricy plot. (3002578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a woman's heart. The production is by Hugh Whitehorn's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (4373888).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (3382660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela's Ashes, now with a new script, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (4371522).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake-more's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (3388800).

Seaside (Old Vic): Notable cast headed by Albert Finney, Eileen Atkins and Max Wall in a limited season revival of John Arden's fine play. (9207810).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is a robust Doolittle as the bottom-up former non-filmgoers are kept to see their sequels on the big screen rather than wait for their delayed and diminutive impact on the small.

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Italy: Spoleto: Teatro Cino Melisso: Middy conducted every day (on Sunday also at 10am).

Rome: In the Piazza del Campidoglio: Music by Gershwin including An American in Paris and selections from Porgy and Bess with the soprano Alpha Brauner-Floyd and baritone Benjamin Matthews. Friday 8.30 pm. Wednesday: Handel, Rossini and Mozart played by the Cecilia Chamber Orchestra and on Thursday, music by Liszt and Berlioz. (Tickets at the Campidoglio from 1.30 on same evening on Via della Concordiana 4, 55-1104 (8.00am to 2.00pm).

NEW YORK

New York Choral Society (Carni Hall): Ray Robinson conducts the Westminster Choir College in a programme of Vivaldi and Bach (Tue) and Clara Longstrech conducts the New Amsterdam Singers in a programme of Handel and Haydn (Thu). 57th & 7th Av (8730098).

CHICAGO

Ravinia Festival: Dimitris Scouras piano recital: Scarlatti, Chopin, Liszt, Brahms, Balakirev (Mon); Ray Charles (Tue); Preservation Hall Jazz Band (Wed); Chicago Symphony. Maxim Shostakovich conducting. Bella Davidovich piano. Rachmaninov, Shostakovich (Thu). Highland Park (7284642).

NETHERLANDS

Siedeljk Museum, Amsterdam. Eddy de Wilde, retiring soon as director of this fine museum of modern art, has selected a final summer exhibition concentrating on acquisitions he has made in the last 21 years. Until August.

NEW YORK

Museum of Modern Art: After being virtually closed for three years of renovation the museum has a chance to show the depth and breadth of its considerable collection. No longer is it a boutique of the modern classics but more like a department store, with double its previous exhibition space and room for such examples of modern design as a whole helicopter.

WASHINGTON

Mark Rothko (National Gallery): 88 works on paper by a leading contemporary American artist begin a national tour with this exhibit in the East Building. The highlights are vivid watercolours from 1958 and 1960, a period when Rothko's canvases were already tinged with the sombre browns, blacks and greys that anticipated his suicide in 1970. Ends August 5.

CHICAGO

Museum of Contemporary Art: Italian sculptor Giuseppe Penone concentrates on the interaction of man and nature by, for instance, growing potatoes in moulds of his sensory organs and then casting the agglomeration in bronze. The artist will create a 20 foot drawing on one wall of the museum that will be erased at the end of the show. Ends Aug 8.

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt. Featuring John Wylie as King Charles. Nise (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (2460246).

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FRANCE'S NUCLEAR INDUSTRY

The 'reserve' role of Superphenix sparks controversy

By David Marsh in Paris

A POTENTIALLY explosive nuclear energy controversy is simmering between Paris and Washington over the world's largest fast breeder reactor, France's 1,200-Mw Superphenix, being built with participation from five other European countries at Creys-Malville near Lyons and due to come on stream early next year.

Disagreement surrounds the possible use of the fast breeder as a means to produce weapons-grade plutonium for France's nuclear strike forces, which are being modernised and upgraded as a key part of the Socialist government's defence programme.

French officials say the Government refuses to rule out the use of Superphenix plutonium in the making of nuclear weapons, although there are no such plans at present. According to State Department officials in Washington, the matter is "not an issue."

But the U.S. Administration will be keeping a close watch for any signs of military use of Superphenix, which Washington believes would contravene 25-year-old uranium supply agreements between the U.S. and the EEC and could theoretically trigger a suspension of nuclear co-operation between the U.S. and Europe.

The possible use of Superphenix to help produce nuclear warheads as well as electricity would tie in with a long-standing pattern of intermingled civil and military use of some of France's nuclear facilities.

As in the first three countries to explode nuclear bombs, the Electricite de France with 51 U.S., Soviet Union and Britain, France's civil nuclear industry—now the second largest in the world, after the U.S.—was built up after the war as a by-product of bomb-making programmes.

France, as a fully-fledged nuclear weapons state, is under no international obligation to keep separate the civil and military sides of its nuclear activities.

But military use of Superphenix—which has been hinted at by members of the French nuclear establishment over the past decade—would cause unprecedented complications, because of the international nature of the project.

It would certainly run into strong opposition among the European non-nuclear weapon states, the electricity utilities of which are helping to finance Superphenix. Apart from Electricite de France with 51



The world's largest fast-breeder reactor, Superphenix, under construction at Creys-Malville near Lyons

per cent, other shareholders in the project are Italian state-owned Ente Nazionale per l'Energia Elettrica (ENEL) with 33 per cent, West Germany's biggest utility, Rheinisch-Westfaelisches Elektrizitaetswerk (RWE) with 11 per cent, Belgian and Dutch electricity producers, and Britain's Central Electricity Generating Board with a small indirect stake of around 1 per cent.

Questions have already been asked in the West German, Dutch and European parliaments over Superphenix's possible military links—receiving mostly vague answers in reply.

Old wounds may be reopened

Weapons production use of the fast breeder would also indirectly hamper international efforts to prevent proliferation of nuclear arms in the Third World. This objective is now given full support in Paris, which has considerably tightened its own non-proliferation safeguards on nuclear exports.

Any suspicion that France's fast breeder programme was linked to military use could, however, increase the reluctance of some "threshold" nuclear countries like Brazil, Argentina, Pakistan or Iraq to agree safeguards on their own civil nuclear facilities, according to international non-proliferation experts.

Finally, any efforts by the U.S. to impede operation of Superphenix through legalistic

measures would open old wounds between Paris and Washington. France has never forgotten how the U.S., unwilling to diminish its war-time nuclear monopoly, tried during the 1950s to hamper French efforts to acquire bomb-making technologies which later would prove of crucial commercial importance in the civil nuclear field.

Any U.S. interference would also revive more recent memories of the ill-starred efforts by President Jimmy Carter in 1978 to hinder European reprocessing of spent nuclear fuel to produce plutonium. The French claimed that the Carter action, while launched primarily for non-proliferation reasons, was also aimed at preserving American commercial dominance of the nuclear business.

The Superphenix project is already controversial because of its escalating cost—the bill over a decade of construction is now put at FF1.18bn—and uncertain economics. Fast breeders are fuelled by a mixture of plutonium produced (after reprocessing) from first generation uranium-burning N-plants, together with non-fissile uranium up to now discarded at the stage of uranium enrichment. They have the capacity of producing more plutonium than they consume. With the element (rich in the Pu-239 isotope used for warheads) built up in the reactor "blanket" of non-fissile uranium which surrounds the "core," fast breeders can be

operated to double their initial fuel input of plutonium over a 30-year period.

Fuelled by plutonium being supplied by EDF and the other shareholder utilities, Superphenix holds out the prospect of a 50 to 80-fold increase in fuel efficiency compared with France's present battery of pressurised water reactors (PWRs). Thus it could increase considerably national energy independence by reducing the need for uranium imports in coming years.

This economic basis has, however, been called into question by the slump in the world uranium price since 1979 caused by the sharp international slowdown in nuclear plant construction. France's own uranium enrichment plant at Tricastin in the Rhone valley, the world's largest civil enrichment facility, which was completed only two years ago with participation from Italy, Spain, Belgium and Iran, is itself operating at only half of capacity.

Cogema, the commercial nuclear fuel services arm of the Commissariat a l'Energie Atomique (CEA), which presides over both the military and civil sides of the French nuclear industry, has stepped up bidding for enrichment contracts on the world market. Cogema has entered as a fresh newcomer into aggressive competition with the U.S. Department of Energy which runs the U.S. government's severely under-used enrichment facilities, first built as part of the war-time

bomb-making Manhattan Project.

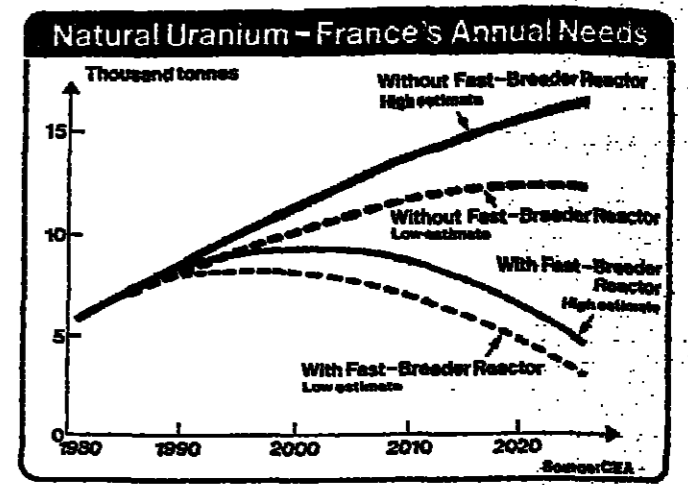
Ironically, EDF has added to the world enriched uranium glut over the past year by selling off part of its uranium stockpile to help cut its losses.

Links between the civil and military applications of atomic energy are hardly new. French scientists first lodged secret patents on the use of nuclear energy, both for electricity production and for bombs, on the eve of World War II, in May, 1939.

Profiting from pre-war research and the war-time work of French atom engineers in Canada, the CEA, set up by General de Gaulle in October 1945, started running in December 1948, the first atomic reactor on the European continent. With apt symbolism, it was built in the 19th century fort of Chatillon, south of Paris, where France's principal war-time collaborators with the Nazis had been executed a few years earlier.

The plant served to lay the technical foundations for France's single most important post-war coup to bolster its international standing—the explosion of its first atomic bomb (following the opening during the 1950s of more plutonium production facilities at Marcoule near Avignon) in February 1960.

The last of the three military natural uranium-burning, graphite-moderated reactors at Marcoule (the other two were decommissioned in 1968 and 1980) has just been shut



Marion Sedgwick

down, after providing both electricity to the grid and plutonium for the weapons programme for the past 25 years. Similarly, in the U.S., the Hanford "N" reactor built between 1959 and 1963 for the weapons programme is one of the longest serving plants in the U.S. grid. In the UK, the country's first two nuclear power plants, at Calder Hall and Chapelcross, were built in the 1950s primarily to produce plutonium for bombs.

A controversy has broken out in the last few months over possible plans by the Reagan Administration to use for military purposes UK plutonium from civil plants supplied to the U.S. under nuclear barter deals in the 1960s.

Some of the early natural uranium-graphite plants built for EDF (before France switched to the PWR for power generation in 1969) have also been used to produce plutonium for the military as has Phenix, the 250 Mw prototype fast breeder operating at Marcoule since 1973. And Cogema's military reprocessing facilities at Marcoule are nowadays used for both civil and defence work.

Following the shutdown of the last Marcoule reactor, several other old EDF natural uranium-graphite plants are due to be closed over the next few years. Some analysts have therefore concluded that France may face a plutonium supply shortage for its expanding weapons programme, especially if it decides to put into effect its technical capacity to build the neutron bomb.

As part of a strategy of nuclear arms modernisation inherited from the previous government, the Socialists are committed to introducing progressively, starting next year, the new multiple-warhead M4 strategic missile on the country's nuclear submarines and providing the Mirage IV strategic bomber force with ASMP nuclear missiles as well as bombs.

The strength of France's 18 3,500 km range ballistic missiles stationed in south-east France will remain unchanged. But the Government is boosting considerably the country's tactical nuclear forces through the replacement of existing Pluton missiles by the Hades (120 systems compared with the present 42) from 1992 onwards and upgrading nuclear air strike capacity.

Government officials say the

manufacture of new warheads provides the CEA with no pressing needs for weapons-grade plutonium. The general trend towards smaller, more efficient, and more accurate warheads, as well as the availability of stockpiles and the possibility of recycling plutonium from the existing arsenal now being replaced, limit demand for new weapons material, they say.

The "reserve" role of Superphenix is, however, stated clearly by a top Paris defence official. He says it is "absurd" to suggest that Superphenix is being built deliberately to supply the military. "But there is a difference between saying that we are building Superphenix because we need plutonium, and saying that plutonium (from the reactor) could be used for the military. The options for the future are open. Nothing obliges us (to give Superphenix a military role) — but nothing prevents us either."

So the terms of the 25-year-old agreement seem to give the U.S. a legal means to block any military use of the fast breeder. This interpretation is, however, resisted by the CEA, and the State Department says that "the agreement is not as unambiguous as we would like."

Confusion over the role of Superphenix could hold up European collaboration on building a second commercial fast breeder, envisaged as one outcome of a far-reaching agreement signed between France, Britain, West Germany, Italy and Belgium in January.

The CEA and EDF are pressing for a government decision to go ahead with Superphenix-3, with participation from other European countries, in 1986. The Defence Ministry has recently made clear that it, too, is supporting the project.

This is the last in a series of articles on the French nuclear industry. The first two appeared on May 24 and June 6. In the latter article, the reference to France's one-quarter share of world reactor capacity refers to deals signed over the last few years, as its share of total orders is much lower.

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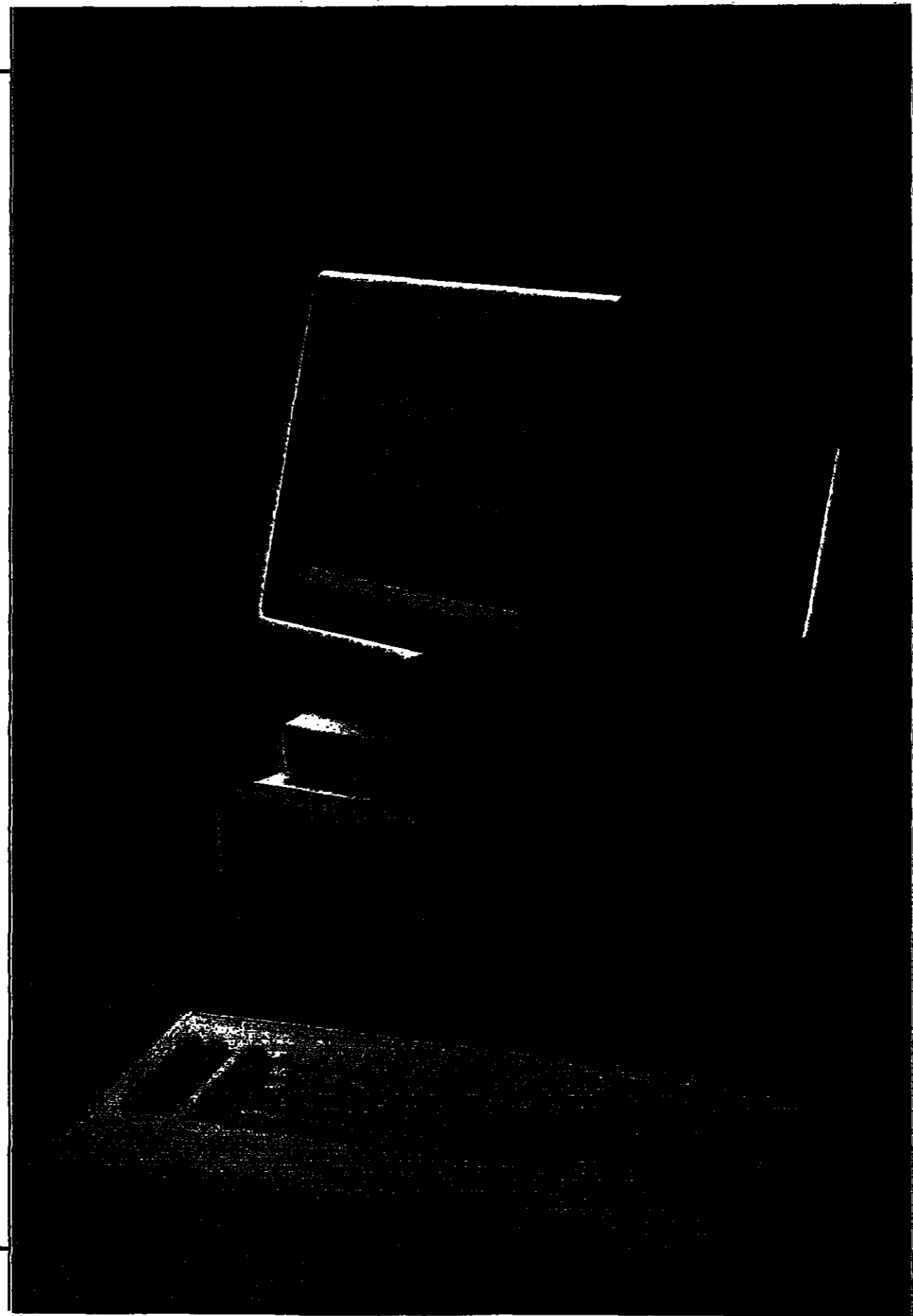
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Bride Hall begins to bloom in the Garden City

WHEN DANNY DESMOND quit last August as managing director of Hunting Gate, the privately owned development and construction group, he took his secretary and his chauffeur with him and was back in business four days later. He has been moving equally fast (not to say stylishly) ever since.

Desmond's departure from Hunting Gate, which he had helped build into one of the country's best-known private developers and in which he held a 22 per cent stake, brought months of boardroom unease and unpleasantness to a climax.

In 1976, he had been appointed group managing director by Frederick Bandet, Hunting Gate's founder and controlling shareholder, who in the same year went to live in California.

But Bandet kept a tight grip on the group's affairs and relationships between the two men eventually began to deteriorate. There were growing disagreements over management style and on the future course of the expanding group — proposals for a stock exchange listing were squashed by Bandet — and Desmond says that non-executive directors appointed to represent the founder's interests made his life "increasingly difficult."

When the crunch came, he was offered the deputy chairmanship and an attractive package of perks. But he had

no desire to be nudged on to the sidelines and parted company with the group he had helped steer for 12 years.

During his time as managing director, the former estate agent's junior, who left school at 15, had helped to raise trading profits from £178,000 to nearly £2m. Over the same period, shareholders' funds rose from a little over £200,000 to beyond £2m.

Swapped

When he left Hunting Gate, Desmond swapped his equity stake for a 100 per cent interest in two of the group's investment subsidiaries. He raised £750,000 against them and set up shop under the Bride Hall group banner.

"I left on a Thursday and on Monday I was in business again, working from home. Keeping my chauffeur was not a luxury; having someone else drive gives me a chance to work, as well as to grab some sleep."

Desmond, who is now 44 and says he has "no regrets" about leaving Hunting Gate, spent the next two months looking up many of the friends he had made in the property business. "I wanted to do my own thing and to tell people what I was up to. I was also keen to get something under my belt without delay."

In the last ten months, Desmond — and his chauffeur — have covered a great deal of ground. He has assembled around him

a small but impressive management team and already put together a series of development projects, at least one of which would keep much bigger fish fully occupied.

Bill Deans, who had himself left Hunting Gate in 1981, with a £136,000 settlement in his pocket, has now rejoined Desmond at Bride Hall, occupying the finance director's chair. Deans is currently not-executive chairman of Thermalite and, until last month, was executive finance director of John Lelliot, the builders.

Desmond has also managed to recruit to the board Andrew Huntley, senior investment partner of Richard Ellis, the agents and surveyors, and David Branson, a senior partner of Nabarro Nathanson, the solicitors. Both men are acting as consultants. The board is supplemented by a small management team.

The group now operates two subsidiary investment companies and a development company and holds an 80 per cent stake in two operations jointly owned with J. A. Elliot, the Hertfordshire-based developers and contractors. Through Elliot & Housewife, the group is engaged in private house-building while Elliot Developments will tackle commercial property ventures of up to £5m in value.

The first development which Desmond picked up is now about to start at Hemel Hempstead, where planning approval

has been won for a 30,500 sq ft office building on a town centre site. Part of the £4.5m scheme, funded on a "no-risk" basis with Barclay Trust, has been forward sold to Hertfordshire Newspapers.

Other projects in the pipeline include an office and retail project in Chertsey, an industrial scheme in North London and an 8,000 sq ft office project in Camberley, Surrey.

But Desmond's biggest coup so far has been to tie up a funding agreement with Postel Investment Management for a 75-acre business park at Letchworth Garden City, Hertfordshire.

The prestige project, which will cost around £48m to build and have a completed investment value of around £80m, is likely to take about five years to develop. Occupiers will get long leases or, if they want, freehold ownership.

Desmond explains: "When I did the rounds of old contacts I saw Fred Reeder, who runs Postel's property investment operations, and he was immediately interested in the Letchworth plan."

"We have acquired a variety of leasehold interests off the 600 Group and surrendered them to Letchworth in return for a new, 125-year lease, with an institutional gearing."

Desmond says Bride Hall is not putting any money into the huge project, but gets a guaranteed initial fee, a rolling profit management fee and a share of

the achieved development profits.

Letchworth itself has started the ball rolling by negotiating for a 50,000 sq ft business centre which will provide central services for companies on the Park. Two other deals are in solicitors' hands.

Though he will not be drawn for the time being, Desmond says that, elsewhere, potentially "very sizeable" joint venture partnerships with two major international groups are also at an advanced stage of negotiation.

He has already had a look at the United States and "took a hard run" at a \$10m office scheme on the outskirts of San Francisco. Bride Hall just missed out but further attempts to gain a modest foothold in America look more than likely.

Partners

As to how the newly-formed group will itself develop, Desmond appears to have a fairly open mind. He wants high-quality, low-risk schemes, predominantly in London and the Home Counties and is prepared to join forces with a variety of corporate and institutional partners. Development profits will be the number one priority, though an investment portfolio also looks likely.

One particular idea appeals to Desmond's sense of adventure: "We plan to offer limited investment partnerships, which will

give individuals the chance to participate in property development. They will be able to take advantage of the limited liability offered by such partnerships, as well as the favourable basis of taxation for partnerships generally."

The partnership, in which Bride Hall would act as general partner, would provide seed capital and an institutional fund the development finance. On completion and sale, the profits would be shared out.

Desmond believes the formula will be a popular one and that it could play an important part in Bride Hall's growth. How far he intends to go with his new creation, he will not say but he expects to be recording profits by 1985. The arrival of a merchant bank to take a useful equity stake also appears a strong possibility.

As for eventual flotation, Desmond prefers to take things one step at a time and to devote his energies to creating a sound base rather than a fanciful future. "I hate setting goals. The whole world knows when you miss."

London and Leeds Investments, part of the Ladbroke Group, has let 100 Broadway, its 35,000 sq ft development on London's Edgware Road, to Mary Kay Cosmetics. The U.S. direct mail company is to pay £5.50 a sq ft. Hillier Parker and Grant and Partners acted for the developer and Ferrari Dewe represented the tenant.

Pearson teams up in £100m shops plan

PROPOSALS FOR A £100m regional shopping centre at Thurrock, Essex, were revealed yesterday by Lakeside Trading Estate, a member of the Pearson group, and Capital and Counties.

An outline planning application will shortly be submitted, seeking approval for a plan to develop around 1m sq ft of enclosed, retail space and parking for 8,000 vehicles on a site adjacent to the M25 motorway just north of the Dartford Tunnel.

The land in question forms part of a much larger site which Pearson has owned for over 60 years. Extensive leisure facilities will also be provided. The scheme could be completed within about four years and 5,000 permanent jobs could be created. Third-party funding is almost certain to be involved.

Moscow Narodny Bank has paid £23.5m for the freehold of 81 King William Street, City of London. The building is being developed by John Swire and Sons to provide 41,500 sq ft of offices behind an existing facade. Swire bought the property about two years ago for £12m. Moscow Narodny will move its head operations next year and will be responsible for the cost of finishing off the redevelopment. Savills acted for Swire and Dron

and Wright represented Moscow Narodny.

Helical Bar, the loss-making steel fabrication specialists, have appointed Michael Slade, until next year the managing director of Grandvita Properties, to run Helical Properties. Mr Slade will take a 49 per cent stake in the new subsidiary and join the main board. Helical Properties has an initial portfolio of about £2m and expects to be profitable in its first year.

A record price has been paid for a prime development site in central Melbourne. National Mutual Insurance has sold the site, in Collins Street, to Lustig and Mear, a private property developer, for A\$13m (A\$6.1m a sq m). The Minister for Planning has given approval for a 218,000 sq ft net office scheme. Colliers acted for National Mutual.

The Long-Term Credit Bank of Japan has taken 30,000 sq ft of floorspace at 18 King William Street, City, the new office building developed and funded by United Kingdom Provident Institution in partnership with the Mercers Company and the City Corporation. Rent was over £50 a sq ft and Savills acted for the tenant.

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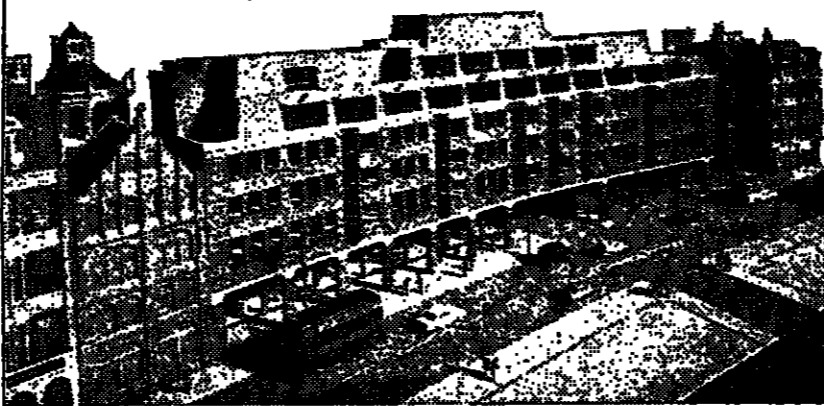
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Barnard Manton	26.20	12	953	95.3
Wallwork	15.7	7	385	97
Hillman Healy & Co	14	4	75	92.7
Healey & Baker	10	4	35	97
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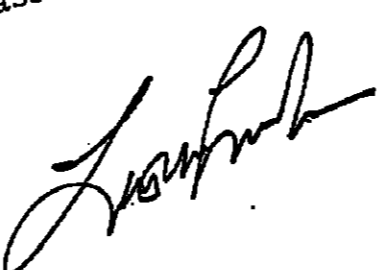
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MEMORANDUM
Date: 6 July 1984
To: Company Secretary

Ref: TWP
From: Chairman

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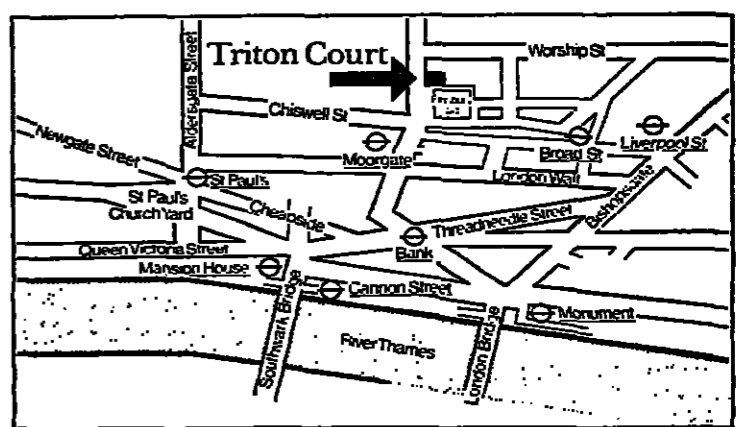
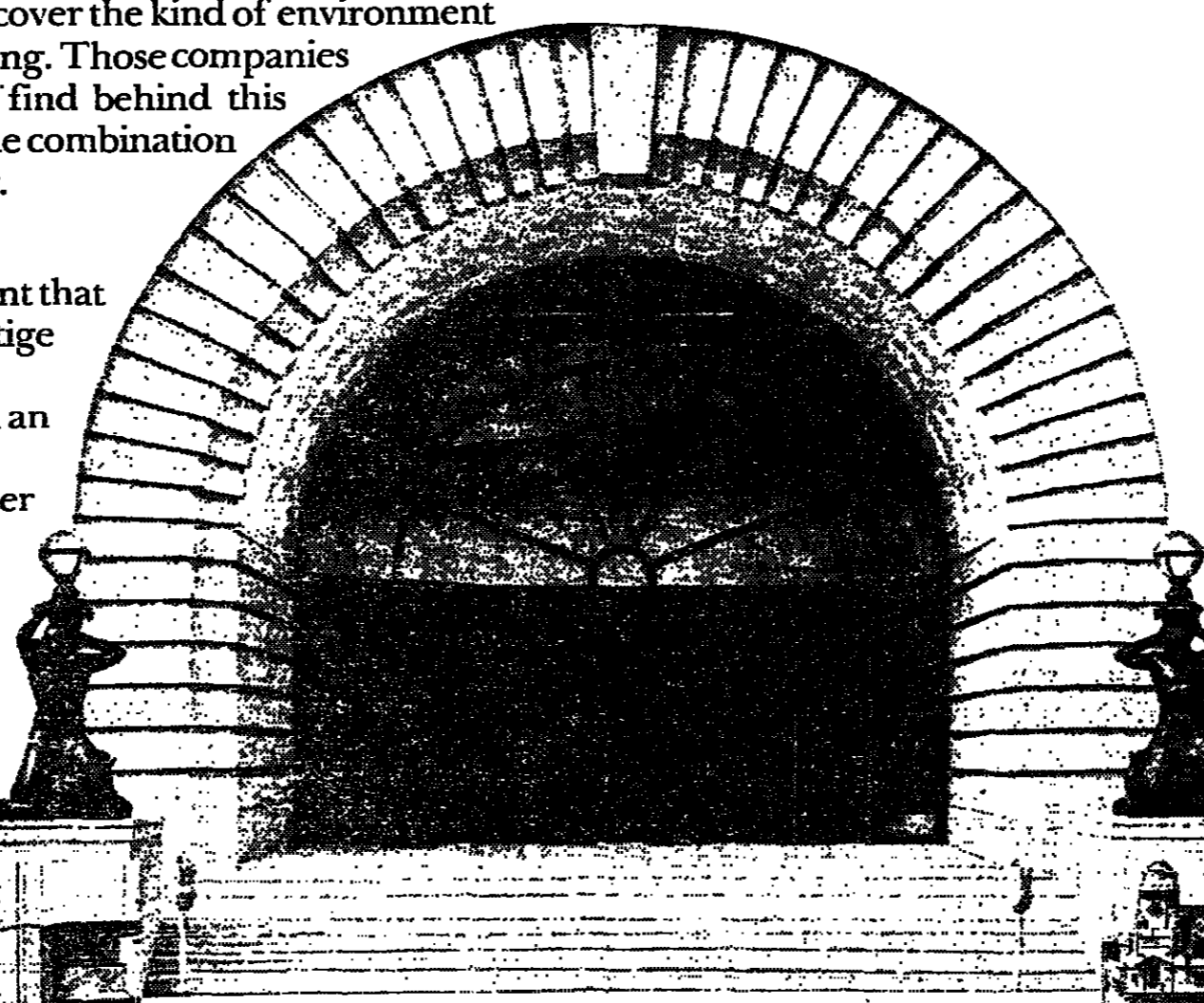
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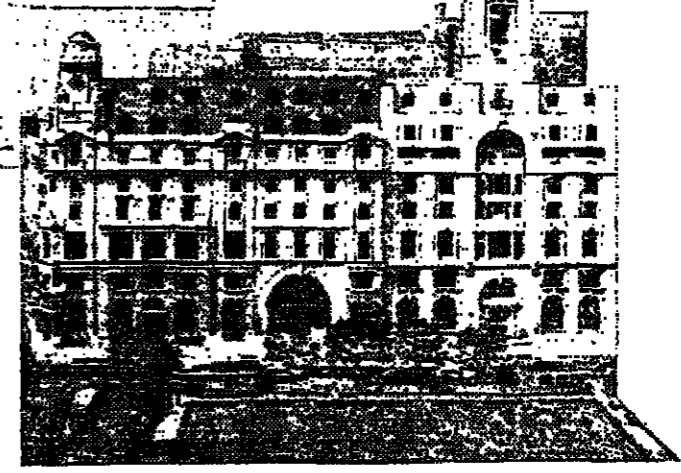


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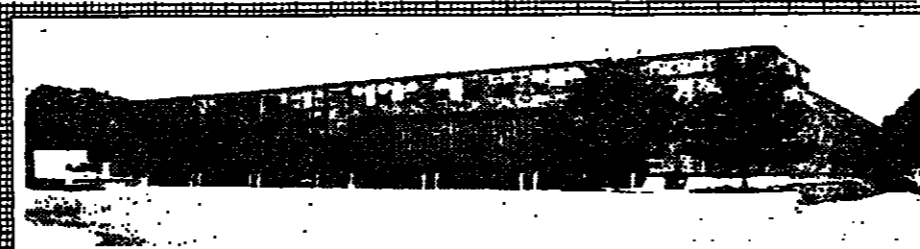
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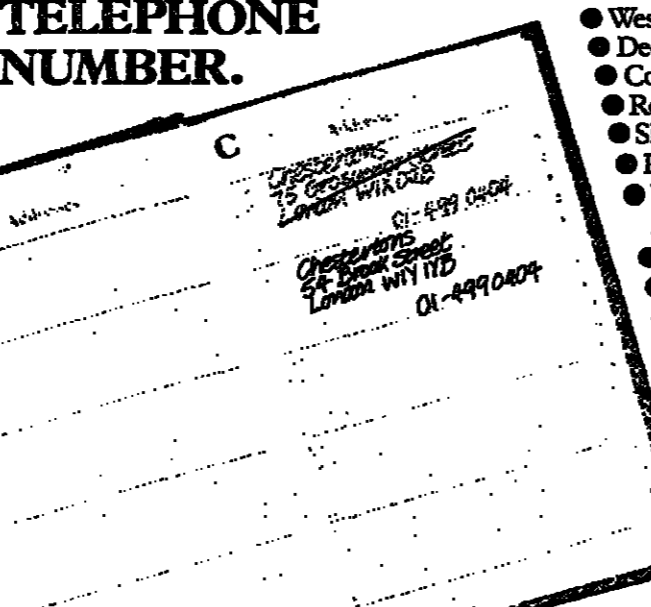
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Friday July 13 1984

Blow to world trade

SISYPHUS in Hades was condemned to roll a heavy stone up a hill; whenever he reached the top, the stone eluded his grasp and tumbled down again. In a modern version of the ancient Greek myth Sisyphus might have to expiate his wrongdoings by selling steel to the U.S. once again and tumbled down again. In a modern version of the ancient Greek myth Sisyphus might have to expiate his wrongdoings by selling steel to the U.S. once again and tumbled down again. In a modern version of the ancient Greek myth Sisyphus might have to expiate his wrongdoings by selling steel to the U.S. once again and tumbled down again.

Such is the case with the recommendation of the U.S. International Trade Commission (ITC) for limiting the market share of a range of imported carbon steel products by the introduction of quotas, tariffs or both. The recommendation to President Ronald Reagan is made at a time when about three-quarters of the steel imported into the U.S. already is subject to some sort of restriction, imposed either by the U.S. or on a supposedly voluntary basis by exporting countries.

Climate

Measures to protect U.S. industry and especially steel production (where there is a long history. But in the present climate the problem is greatly aggravated by the overvaluation of the dollar. If U.S. economic management were to produce a more stable exchange rate at least some complaints against foreign competition should subside by themselves.

The ITC made its recommendation under the so-called escape clause of the Trade Reform Act of 1974. That clause has lately been invoked with increasing frequency. Under it, it is permissible to impose restrictions without proof of unfair practices such as the payment of subsidies, in the country where exports originate. What has to be proved is serious injury to the domestic industry with which these imports compete, something altogether less difficult than proving malpractice.

Procedure

Escape clause procedure differs from anti-dumping procedure in another important way. The President is entitled to refuse to act upon an ITC recommendation made under the escape clause. Looked at in one way that is a measure of protection to the exporter abroad, since the President can take into account considerations other than the narrow interests of a U.S. industry hurt by imports.

He could look, for instance, at the wider world economy in which are not in any way con-

sidered by foreign trade legislation. He could also look at the U.S. commitment to free trade, so frequently affirmed at economic summits and elsewhere.

We hope that he will do so. But he may find himself in an awkward position in the midst of his campaign for re-election. Not only in the U.S. are the political pressures for protection almost invariably stronger than those for free trade.

For instance, in 1980 the ITC decided that no case had been made out for imposing import restrictions, principally from Japan, for the difficulties being experienced by the U.S. motor industry. Yet the Administration went ahead with a self-restraint agreement limiting Japanese shipments of cars to the U.S.—the usual fig leaf to avoid more open restrictions.

Imports are not the cause of the steel industry's problems. It is suffering from years of inadequate investment and excessive labour costs. Much of its plant is outdated and cannot compete on equal terms with local mini-mills or with overseas producers. That is recognised by implication in the recommendations of the ITC. It proposes that additional import restrictions should be made conditional on the steel industry being ready to modernise plant and to cut costs, including labour costs.

While the ITC has thus shown its awareness of the underlying problem, its stipulation that protection is in force, political considerations make it hard to remove. By raising barriers to imports, the ITC proposals would remove the strongest pressures on the U.S. steel industry to increase its efficiency.

Interests

More immediately, the ITC proposals could be damaging to wider interests of both the U.S. and the world. The list of countries they are likely to hit hardest includes Brazil and Mexico, two nations with acute debt problems which they will never solve if their exports are turned down.

That argument cannot be made by steel exporters in Japan or western Europe. The Japanese could strengthen their case by being seen to open markets to U.S. steel more widely to imports.

A trade war on top of the debt crisis and the return of high interest rates would deal the world economy a heavy blow. The ITC ruling points in precisely the wrong direction.

The reform of Lloyd's

EXACTLY TWO years after the passage of the Lloyd's Act of 1982, the London insurance market is still witnessing the kind of scandal which this reforming legislation was meant to attack. There is little doubt that if Parliament had known then what it knows now, Lloyd's would not have been left with its unique privileges of self regulation. The question is whether the Act now needs to be reconsidered, or whether the market should be given more time to set its house in order.

The Lloyd's authorities argue that although the hurricane is still shrieking, the vessel has passed through the eye of the storm and is heading for calmer waters. They can point to an impressive list of reforms to support this claim.

For one thing, authority now rests firmly in the hands of the new Council of Lloyd's, rather than the Committee, which means that a much broader range of interests is being represented. A small number of distinguished outsiders are making an important contribution, especially in the key areas of investigation and disciplinary work.

Outsiders

Under this lead, the market is being forced to reconsider those practices which were allowed to develop under the cloak of business secrecy, and which too often blurred the distinction between shrewd financial management and unacceptable business conduct. The first central file containing the accounts of all syndicates operating in the market has been almost completed, and will be open to the public within the next few weeks. This will also show details of related party transactions, an obvious area for potential conflicts of interest.

The Council is now sending out draft proposals for a standard agency agreement, which will be fundamental to the relationship between agent and Name, and is also seeking to impose tougher conditions on

the auditors of underwriting syndicates. Membership rules will also be revised among other things to make it harder for wrongdoers to escape simply by resigning their membership.

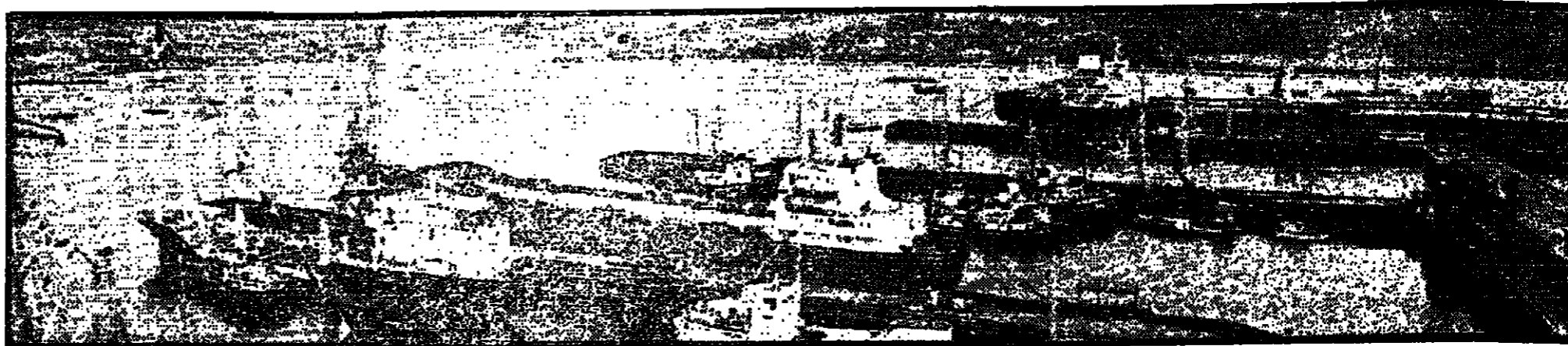
The hope is that the new constitutional framework will be firmly in place by the end of 1988, and that well before then—possibly by the close of this year—the disciplinary proceedings arising from the well publicised scandals will be more or less completed.

Given the size of the problem, that would be a major achievement. Lloyd's points out that the rule changes which are intended to make it possible could not have been implemented so quickly if they had been subject to the approval of a separate agency with statutory powers. Moreover, although the experience of recent years has been traumatic, it has not visibly damaged Lloyd's position in the world market. Confidence in the security of Lloyd's

Abuses

Yet it is much too soon to relax. Lloyd's disciplinary proceedings have yet to prove their worth: they are taking a lot longer to complete than anyone expected, partly because some of those involved have turned to the courts. More generally, there is room to doubt whether a flash of sunlight on the market will be enough to clear up the abuses which had been building up over decades.

There is a view in the market that Lloyd's has been going through a once for all upheaval, and that the practitioners will be able to take up the reins more or less as before once it is completed. This is unwise, for Lloyd's is going to have to learn to live with a strong and independent executive management organisation over the long term. At worst, its privileges will again come under well deserved attack if it does not reach smooth water within the next couple of years.



The dockers' action

A strike just waiting to happen

By Philip Bassett, Labour Correspondent

A NATIONAL docks strike could hardly have come at a worse time for the Government, with interest rates rising, uncertainty in the markets and the miners' strike continuing.

The spectre of a national dock strike has loomed large in the industrial relations folklore of the post-war years. But, for many, this strike was a bolt from the blue. Even some port employers find it hard to comprehend why it was allowed to reach this scale. Accepting that part of the Government's strategy towards the miners' strike was avoiding a second front being opened—paying off the railwaymen, urging British Steel not to take legal action against the miners' union—they have difficulty in accepting why the Government is not putting pressure on the National Association of Port Employers to get it settled.

Mr Nicholas Ridley, the Transport Secretary, was firm in a BBC radio interview yesterday: "It is not a dispute in which the Government could intervene—and we are not going to do so."

Behind the rhetoric of non-intervention, though, lies deep-rooted Conservative ideological opposition to what is at the heart of the dispute—the National Dock Labour Scheme. A Government committed to relaxing the hold of the trade union closed shop on industry sees the scheme as one of the worst restrictive practices—and, embarrassingly, it is a statutory one.

Behind the rhetoric of non-intervention lies deep-rooted ideological opposition

Set up in 1947, the aim of the scheme was to give permanent labour stability to an industry in which the use of casual labour was rife. Dockers were placed on a register, and one of the principal objects of the scheme was "to secure that... dock work is done by registered dock workers, and not otherwise."

In practice, this gives the dockers a right of grip on their work, but contrary to popular belief, it does not rule out compulsory redundancies—though it has been a powerful force in averting them.

Not powerful enough to halt job losses, however, it has from it. As the docks have declined, thousands of jobs have disappeared in a series of voluntary redundancy schemes: the registered workforce in ports covered by the scheme has declined from 83,500 in 1951 to around 13,700 now.

It was the Aldington-Jones report, which ended the last

national strike in 1972, which led to the system that gives the dockers their formidable job security—so-called "jobs for life." When an employer goes out of business, other employers in the port have to take on the redundant dockers.

The shift of much of the UK's traditional dock traffic to foreign competitors, particularly Rotterdam, and the growth of trade in UK ports not covered by the scheme, such as Felixstowe, has encouraged some Ministers in private—Mr Ridley in particular—recently to question the future of their scheme.

But this caution was not enough to prevent the Transport and General Workers' Union issuing an immediate threat of a national docks strike when Mr Donald Stringer, the port employers' chairman, voiced these thoughts publicly in a speech in April. He said that employers now thought that the need and relevance of the scheme had long disappeared.

The storm clouds were hoisted, and from that point, the present dock dispute was a strike waiting to happen. A highly emotional issue, it only needed a spark to ignite it.

That came when British Steel decided to continue using contract labour to load iron ore lorries at its Immingham terminal for transport to its Southport steelworks, following the blacking of rail-freighted supplies by train drivers in support of the miners' strike.

Using unregistered labour is like a doctor bringing in a vet to do an operation," says one TGWU dock worker. In fact, BSC's action at Immingham seems a less clear-cut breach of the dock labour scheme than the dockers claim. The use of contractors there seems well supported by agreement and correspondence—though when no trains are running in support of the scheme, the position may be different. In any case, the well-practised system of "ghost" workers in operation at Immingham—registered dockers being paid for and nominally doing work which is actually carried out by contractors—reduces the legitimacy of the dockers' case.

The accident, "that fateful half-hour when something went wrong which is actually wrong," Mr Ridley says, seemed to come when the Immingham incident coincided with a regular meeting of the TGWU's dockers group.

Even though the National Dock Labour Board, which oversees the scheme, found yesterday that the Immingham incident was a breach of the scheme's provisions, all sides seem to agree that Immingham declined from 83,500 in 1951 to around 13,700 now.

It was the Aldington-Jones report, which ended the last

loaded coal from a Norwegian vessel, the *Oba King*, which had been blacked by other unions.

Indeed, at a meeting of TGWU dockers delegates on Wednesday, Mr John Connolly, the union's national docks officer, openly said that Hunterston had been a step back for the union and its fierce maintenance of the scheme.

This strike may be an attempt to redress the balance—and perhaps a little bit more. The employers claim bitterly that talks earlier this week collapsed because the TGWU

through the miners' picket lines.

It was the lorry drivers who spearheaded union action in the 1973-74 "winter of discontent." Now in these strikes they have become the flag-bearers of free enterprise. In gleeful defiance, one driver carried a windscreen sticker proclaiming himself the "No. 1 Scab," another, trucking iron ore into Llanwrda, announced: "I'll be taking my money for this home in a wheelbarrow."

The TGWU wanted to rehabilitate itself in the eyes of the union movement; or, as

The dock labour scheme does not rule out compulsory redundancies

was trying to win a guarantee against all future breaches of the scheme—which the employers felt in practice they could not give—and that it should be for the union to decide whether any future incidents were breaches. The employers argue that it is contrary to the essentially mutual self-policing nature of the scheme.

The big difference has been the miners' strike and what has happened to the TGWU since the Hunterston incident: constant embarrassment. Fighting talk from the union's leaders has been brutally undercut day after day as convoys of lorries, many driven by TGWU members, have swept

one Government official puts it: "They wanted a result." Even with the future of the scheme as an issue, winning members' support for a dockers' strike was a gamble. But not too much of a leap in the dark, though the docks' appalling strike record of the 1960s and early 1970s has eased as the industry declined, but it is still significant at a local level.

Like the coal mines, industrial relations in the docks have been characterised by the presumption that disputes will be settled by immediate industrial action. As one dock worker put it in London yesterday: "Once we get a call to strike, we strike straight away."

If the dispute is not settled

Going home to Washington

Sir William Ryrie's return to Washington, October—as chief of the International Finance Corporation, the World Bank's private investment arm—has a certain bitterness savoured to it.

The attraction is that he is going back to a city where he enjoyed considerable success and acclaim. As the Treasury man at our Washington embassy, and thus wearing the twin hat as British executive director on the board of the International Monetary Fund, he lived through the thick of the British loan negotiations with the IMF in 1975-76 and through a particularly turbulent time in the organisation's history.

The informed view in Washington is that Britain may never have sent a better representative to the IMF than Bill Ryrie. A direct, articulate Scot, now 55, he was clearly stimulated by the free-wheeling cut and thrust that is an enduring feature of life in the U.S. capital.

So high is his reputation there that this is not the first time that A. W. (Tom) Clausen, World Bank president, has tried to lure him back.

But it was precisely the talents that made him so effective in Washington that held him back on his return to the tighter confines of Whitehall. In particular, as is well known in British Government circles, he fell foul of Mrs Thatcher—between 1980 and 1982 he was the Treasury official in charge of, in effect, the nationalised industries and his disinclination to share the PM's views for selling off the public sector did not exactly help his Whitehall career.

So, from being on everybody's short list to be head of the Organisation for Economic Co-operation and Development (OECD), which nobody has ever thought of as Maggie's favourite department.

So, when Clausen approached Ryrie a few weeks back for the

Men and Matters

second time, he threw his hat into the ITC selection race and, after some politicking in Washington (the U.S. vetoed a Pakistani candidate) landed the job.

Happy ending

The news that a British White Knight has arrived in the nick of time to save Immos, the Government-backed micro-chip makers, broke suddenly on the City yesterday.

The letter of intent was signed yesterday, and Peter Laister, Thorn EMI chairman, is to be paid £95m for the 78 per cent stake held by the British Technology Group, is deferring a holiday due to start at the weekend to fly to the Colorado plant and address the troops on Monday.

The founders and staff of Immos seem to have come out of the deal pretty well. If it goes through each of the three founders' shareholdings will be worth £5.22m (Laister pulled out a pocket calculator to calculate this). One of the founders, Paul Schroder, left the company some time ago, but still owns shares.

The founders will be offered an opportunity to sell out to Thorn or to hold their shares for another four years with a promise of the still better price if the company's performance improves.

So the Immos story, a political hot potato for so long, seems to have a happy ending. Laister says he doesn't propose to change anything at the moment, although he is not yet certain of the company's confidential plans.

The general aim is to support its goal of being a world-class chip supplier.

being involved in their direction. Management support to us is not a question of saying we can do it better than you, but of helping them to do it better."

Rare immigration

"IN winter you might as well start the day with a smile; once you step outside it gets frozen in."

Ivor Rowe, Manchester magistrate, leading Variety Club charity light, British Vehicle Rental and Leasing Association founder-chairman, and head of the UK vehicle operations of the U.S.-owned Geico Corporation, is quitting Manchester and heading for Minnesota.

To Eden Prairie, to be precise, not a snowball's throw away from Minneapolis and where a balmy January day means 25-50 degrees of frost. Rowe, 52, is making one of those rare emigrations when a Brit is moved to run a U.S. company's operations Stateside. Geico, a \$1bn a year conglomerate is involved in vehicle fleet management and leasing. It also owns CITI Containers and TIF trailers among its 90 businesses. One way and another, 700,000 cars, trucks, containers and trailers are under its control.

Rowe, until now chairman of Geico's two UK operating concerns (in fleet management and contract hire) and president of the holding company, is taking over as president of Geico Vehicle Leasing, responsible for regional leasing operations in the U.S., Canada and Puerto Rico, and at the same time retaining responsibility for Europe.

Eden Prairie, however, holds on mysteries for Rowe. He has been there on average six times a year for the past 12 years ever since swapping a director's seat at the Lex Vehicles group for one on the main board of Geico.

But why a Brit for the latest job? Somewhat modestly, Rowe says it off—maybe the American board felt it would be better to have somebody with more international experience. But minds may also have been concentrated by the fact that the corporation, as a whole, lost \$23m last year.

Super silks

A new topic of conversation has been passed into the Inns of Court by an article in *Tatler* magazine.

Now when two or three barristers are gathered together, they do not discuss only the intricacies of solicitors and their dilatory payment of counsel's fees. They dissect the *Tatler*'s list of "fashionable" Queen's Counsel.

The magazine produced a double page of pictures of these said to be the profession's leaders with a breakdown according to the specialist areas of litigation.

There appears to be little dissent from the proposition that Robert Alexander is today's Super Silk, nor much objection to the suggestion that the more gregarious Leslie Hoffman runs him a close second.

It is when the article descends from those Olympian heights and suggests who are the leaders and "rising stars" in specialist fields that opinions differ.

Certain names have been greeted with raised eyebrows or scornful sniffs. The barometers of professional success and standing, the barristers' clerks, have reacted most predictably. Those whose men are not mentioned discuss the whole matter as a frivolous irrelevance, while those working for Silks on the list are robbing their hands all the way to the bank as they calculate the value of publicity.

The chosen QCs disclaim any interest in the affair, though one did concede there was something in the Shavian dictum: "Speak kill me or speak well of me, just so long as you speak of me."

quickly, Mr Ridley says darkly, then "we are going to have to assume that this is a political strike—some strange political desire which has not been made manifest."

This covert reference to the miners' strikes is hotly disputed by some dockers. Another Tilbury worker said: "This issue is all about the use of registered labour, and is nothing to do with the miners' strike. If we had wanted to support the miners, there are many things we could have done that when they asked us."

But a ports industrial relations manager disagrees. "It was going to happen anyway," he says. "The miners' strike is 95 per cent of the reason why it is now."

The dockers draw the similarities between two basic industries which are contracting. Listening to a group of Liverpool dockers, in London for this week's meeting, is reminiscent of sitting in miners' welfare clubs. "They're asking us to sell our jobs, and our sons' jobs... we've taken so much... we're turning here, and making a stand."

In the patchwork of the docks, the exact connection with the miners' dispute is probably impossible to unravel. Whatever the reason, the TGWU—guided, many feel, more by its grizzly experienced deputy general secretary, Mr Alec Kibson, than by Mr Connolly—got its results. The employers do not argue with the union's claim, that in the scheme ports, support for the strike call has been total. Future support may be indicated, too, by the lorry drivers' action at Immingham itself. They were apparently quite happy to cross picket lines set up by the miners, or the train drivers, but once a TGWU picket line went up they stopped.

Even in the ports not covered by the scheme, the indications yesterday were that their dockers are coming out. Key indicators, particularly for companies wanting to circumvent the strike, will be the roll-off port of Dover, which carries 1,000 lorries every day and the container port of Felixstowe, where dockers meet this morning.

All this endorses the employers' rueful private acknowledgment that even with the relative decline of the docks as an industry, the dockers themselves can still marshal, at little or no notice, enough muscle to justify Whitehall's fears and its caution.

Even so, there still may be some pressure on the TGWU to reach a deal fairly quickly. There is already talk in the industry of confusion among the dockers about what the strike is about or for. That could turn into disaffection, although nothing like the Nottinghamshire split in the miners' dispute is envisaged.

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The tight vote at Immingham itself over whether to black the work and back the miners (it was carried by a majority of only about 40 votes out of the 700 dockers involved) may be indicative. There is some feeling that if the strike goes past the weekend, it will be both more difficult to end and more prone to crack from below. That would badly tarnish this week's TGWU image of instant militancy.

The dockers are recognised to be tough opponents; a standard theory is that unless they shoot themselves in the foot by breaking ranks, or unless the Government brings in the troops, as the Heath administration almost did in the 1972 strike after declaring a formal state of emergency, dockers are virtually impossible to beat.

Clearly, there is some scope for transport companies to beat the strike. There are far more non-scheme ports and non-unionised ports than in 1972, when manufactured exports were cut by one third. But there is a practical limit to this transfer: bulk cargoes like oil and grain need specific handling facilities at terminals which not every port can provide. There has been a structural change in the industry since 1972, but the old ports are still dominant, with schemes for carrying 70 per cent of all non-fuel traffic.

Similarly, there is some opportunity of getting round the National Union of Seamen's ban on freight carried by the Sealink line, which comes into force at midnight tonight. But it is

Transport companies could simply switch their business abroad

only limited: many companies have long-term contracts with ferry lines, and tourist traffic at the height of the holiday season will mean that spare space should be rare.

Even with the clear support for the strike in the docks, and with yesterday's bolstering decision by the Dock Labour Board, the strike—particularly a prolonged stoppage—is not without risk, and high risk at that, for the dockers.

First, and most serious for the industry's future, transport companies could simply switch their business abroad; some are already talking of this if the strike goes on.

Second, while a clear victory for the dockers would make the Government hesitant about any further even tentative moves against the scheme, the failure of the strike would make the Government's abolition of what it regards as political industrial and economic anathema a real prospect.

PORTUGAL SURVEY

The Portuguese survey, due to appear in today's paper, will now be published on Friday

July 20

Observer

BRITISH BANKING

Midland's battle to do better

By David Lascelles

NEXT Tuesday Midland Bank will hear some good news from California for a change. After two quarters of heavy losses, Crocker National Bank's 37 per cent-owned U.S. subsidiary in San Francisco, should announce that it has clawed its way back into the black in the second quarter to the tune of \$4m to \$6m.

If so, Midland Bank's long-suffering management in London may be encouraged to go ahead and bid for the minority share of Crocker still in public hands. Such a move would bring Midland's investment in Crocker to over \$1bn, making it by far the costliest bank takeover ever.

A glimpse of black ink, and an end to the uncertainty over Crocker, would be a relief to Midland, weakened as it is by 550m of cumulative U.S. losses and a depleted morale. But it will not bring an end to Midland's problems, which stem only partly from its move into the U.S. three years ago.

Sir Geoffrey Taylor, the chief executive who inherited Crocker when he took over in 1981, says the emphasis is now on raising profitability through-out the group which has assets of \$55bn. But he concedes it will be "two or three years" before Midland starts earning a decent rate of return on its capital again.

That may be optimistic. To the City at large—where Midland for some time has had a reputation for being accident-prone—the bank's condition still looks delicate. Its equity base is proportionately smaller than its rivals', and rumours of a dividend cut pushed its shares down to a new low on the Stock Exchange earlier this month, forcing Mr Michael Julien, the group finance director, to issue a strong denial that such a move was envisaged.

For nearly 10 years Midland has been a poor performer compared to its peers, Barclays, NatWest and Lloyds, by almost every measure in the book. Burdened by a lopsided branch structure reflecting its origins in the industrial Midlands, its profits have consistently been lower than the other three. Analysts estimate that if Midland got its operating costs down to the average of the other three clearers, it could nearly double its profits.

The bank's balance sheet has also been weaker, despite three rights issues in eight years.

The latest blow came in March when the Chancellor abolished first-year capital allowances in his Budget and forced Midland to slip into losses for £230m—nearly its entire expected earnings this year—to meet tax liabilities on its leasing business which it had not expected to have to pay.

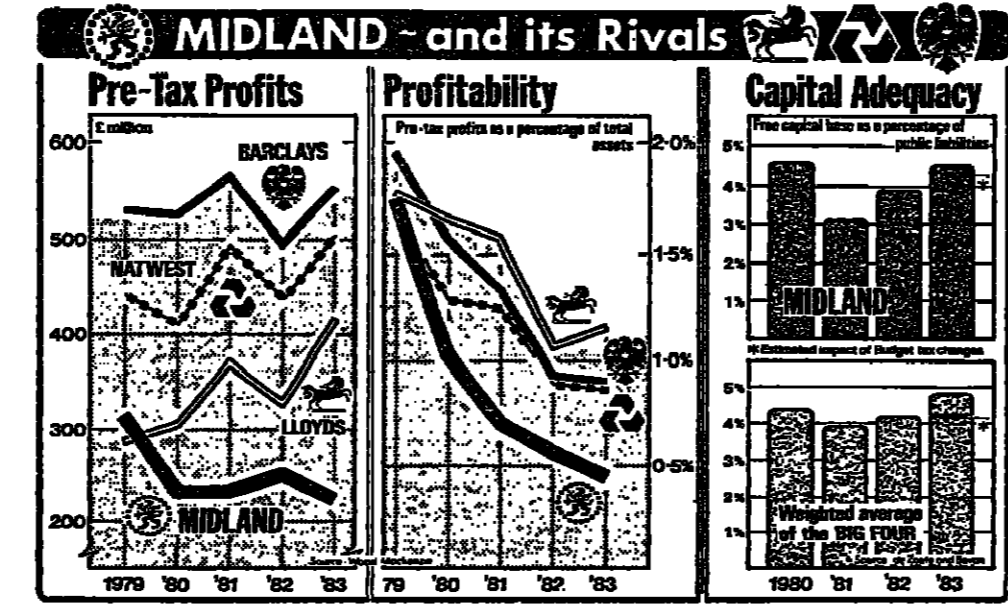
Ironically in the light of what is now happening in the UK financial services industry, Midland at times in the past decade has owned the components of what could have become an impressive financial conglomerate had it not sold bits off again: Bland Payne, a leading Lloyd's insurance broker (sold), Samuel Montagu the merchant bank (40 per cent sold), a stake in Standard Chartered Bank (sold). It still fully owns Thomas Cook, one of the world's largest issuers of travellers cheques.

Crocker's losses are the more unfortunate because they became apparent just as Midland seemed at last to be getting clear lines with its problems. The previous unwieldy management structure which split responsibility between two chief general managers was scrapped and replaced with clear lines of authority leading to Mr Taylor, and a determined effort was underway to cut costs. Bright new executives were hired for key positions: Mr Julien to tighten financial controls, Mr Ernst Brutsche, a German who had earned his spurs with Citibank in New York, to streamline Midland's treasury, and Mr Hervé de Carnoy, an urbane Frenchman, to organise the group's somewhat muddled attempt to become a major international presence.

"We've been blown off course," says Mr Taylor. "The sort of problems we have with Crocker make tremendous demands on management. But I think we're getting back now."

However, before Midland can think of setting a new course, it will have to repair the damage to its balance sheet. That will not be easy since the obvious and easy way—a rights issue—is in practical terms barred to it by the sharp fall in the share price (two weeks ago its shares were yielding more than any UK bank stock since the war). Instead, Midland will have to boost its capital base by selling more of its assets, and relying in the growth in the balance sheet.

The key disposal will be



Crocker's plush new headquarters in San Francisco. Mr Taylor firmly denies all rumours that Midland is about to sell what he calls "strategic investments": its remaining 60 per cent stake in Samuel Montagu, its Clydesdale and Northern Bank subsidiaries, Forward Trust, the leasing subsidiary, and Thomas Cook.

The group, however, will seize chances to sell some 30 to 40 minor investments such as its share of consortium banks or minority interests where it has never had an effective influence over management. One of the first to go is Midland's 20 per cent stake in European American Bank, the loss-making New York consortium bank, which is on Midland's books at £33m.

Quite how much cash these disposals will yield remains to be seen, and some analysts believe that Midland will be forced in for years by balance sheet problems. But Mr Taylor says: "We see these actions making our capital ratios acceptable to us and to the Bank of England." Although the Bank never comments publicly on a bank's financial health, he assumed that it wants to see Midland steadily strengthen its capital base.

A key role in improving Midland's housekeeping falls to Mr Brutsche in treasury, whose job is to raise money to fund the

bank's operations without adding more than is absolutely necessary to the balance sheet. (He is also expected to make a proft, which is rather new for Midland's treasury.) "We have to take a different approach now," he says. "When you have limited resources available, you must choose between the nice things to have and the essential things to have."

Aside from making the most of sophisticated funding techniques like swaps and financial futures, and trading loans more actively, Mr Brutsche is trying to cut out duplication within the bank itself. "If one part of the group has surplus funds and another needs funds, it is obviously better if they deal with each other rather than with the market," he says.

There is also a vigorous drive for profits on the international side. Mr de Carnoy, whose responsibilities cover all Midland's overseas business except Crocker, says the California debacle has tended to obscure the fact that Midland's other foreign ventures "have been reasonably successful," earning a healthy pre-tax return of 20 per cent. His goal is to boost foreign profits by £30m by the end of 1985 by building on Midland's well-established presence in Europe and expanding in the Far East and Australia.

The slackness of business

land's sterling funding costs appear to compare favourably with those of its main rivals."

Yet no matter how valiantly Midland battles to do better, no single part of the group plays a greater role in its destiny than Crocker, which now accounts for 30 per cent of the whole. And its handling of the U.S. bank not only presents Midland with extremely tough decisions but could hold the key to its future.

Crocker's new management under Mr Frank Cahouet has answered Midland's desire for tighter control by backing out tens of millions of dollars of bad loans and slashing the dividend. But the recent prime rate rise has put new pressures on Crocker's main borrowers—California real estate developers and Latin American countries—raising the possibility that more write-offs may be necessary.

In the longer term, though, Crocker has several things going for it. Mr Richard Flansburg, chairman of Security Pacific, a big Los Angeles rival, said last week: "Crocker's great underlying strength is that it is located in the best banking market in the world."

Only Parliament can tax

From Mr T. Beynon
Sir,—I am in the correspondence concerning the controversial decision of the Law Lords in *Furniss v Dawson*. Critical letters usually elicit balancing comment from authority. In this matter there has been none.

The Law Lords have taken powers beyond that of interpreting legislation, enabling the courts to overturn arrangements with a tax avoidance motive proposed under the law as it previously stood.

There is a division between the powers of the executive, the legislature and the judiciary. Parliament does not meddle with the sentencing policies of the courts—except a suggestion by the Home Secretary of a sentence reduction brought a cryptic response from the judiciary in 1981. The judges should refrain from extending the law until parliament has duly debated the matter and enacted legislation if it so wills.

Perhaps the Law Lords might extend trade union legislation under the Race Relations Act if the current practice of these laws often their sensibilities. There is even less justification for the Lords to extend the law to the House of Lords from affecting "the imposition, repeal, remission, alteration or regulation of taxation." It is ironic that unaccountable Law Lords should take steps to retrospectively raise taxation while parliament turns Nelson's eye.

Should ends justify means? I think not. The citizen should regard the courts as a protector against the excesses of executive power. In this matter the Law Lords have added to these excesses.

The purpose of laws is the pursuit of justice and the protection of men from the rule of arbitrariness. If the UK courts and parliament have forgotten this the first protocol of the European Convention of Human Rights has not. It says "No one shall be deprived of his possessions... unless provided for by law."

Those who wish to be taxed by Parliament and not by the arbitrary judgment of others should take note of it. T. Y. Beynon, The Old Rectory, Adstock, Buckingham.

Letters to the Editor

the letter from Mr D. Tallon on fiscal law reform (July 9) and referring to the article by Mr Eggar on July 4.

As an institute we have been pressing for what was suggested in the article for some considerable time and would emphasise that this institute is well positioned to act in such matters since it is a multi-disciplinary body as is indicated by the composition of the council, accountants (chartered and certified), solicitors, management accountants and chartered secretaries.

We would indeed welcome developments in this area. Wreford Voge, 3 Grosvenor Crescent, SW1.

Democracy and the miners

From Mr M. Greener
Sir,—It would appear that both Mr Scargill and Mr McGahey find it intolerable that the Law, should seek to interfere with the traditional democratic procedures which operate at the National Union of Mine-workers conferences.

One can but wonder whether they seriously believe, and would have their members believe likewise, that these democratic procedures of which they speak are in any way without the support of a sound legal framework. Perhaps they promulgate some new form of democracy which can operate without the rule of law.

Whether this be so or not, they might be well advised to reflect that any attempt to disenfranchise those who oppose preferred opinions is the very negation of democracy. It may well be a custom acceptable in a totalitarian state but has no place in a free society. Michael Greener, 33, Glen Hovren, Barry, S. Glam.

Aught for the widows

From the Secretary General, Life Offices' Association
Sir,—Mr Richer (July 4) finds that many insurance companies when cashing life policies pay no interest on the monies held between the date of the policyholder and the time settlement is made on the production of a grant of probate or letters of administration.

The Land Registry

From Mr J. Kendall
Sir—The article "Fees to the Land Registry" (July 3) is a good illustration of why it is necessary to extend land registration to all titles in England and Wales.

What is the point of employing an expensive expert to investigate a title when it has already been investigated previously by (usually) another solicitor? The whole point of land registration is to cut out the necessity of re-investigating a title every time a property changes hands (which in any case is an academic nonsense). All a conveyancer has to look at is one certificate (2-3 pages long with a plan) and provided the vendor's name is shown as the current owner, that is conclusive proof that he is the owner (which the state guarantees). How can that be slower, more inflexible and a duplication of work compared to unregistered land?

The other point Mr Catchpole raises is that the fee charged either for registered or unregistered land is the same. With registered land, it is quite feasible to dispense with much of the ritualistic tribal dance most conveyancers indulge in such as local searches, requisitions on title, etc. Anything that actually affected the property would be notified to the appropriate land registry. Enquiries before contract ask a whole host of irrelevant questions which are invariably side-stepped by the vendor's conveyancer. In the vast majority of cases there is nothing of consequence for a conveyancer to find out concerning a second-hand house.

It is quite possible for anyone who is capable of filling in

forms to deal with registered land. You do not need a legally qualified person. Land registration has been a voluntary system since 1925 and despite the fact that the system has only benefited conveyancers because it has made their job much easier yet they continue to charge the same fees as for unregistered land. By extending the system to all titles, individuals will be able to undertake their own conveyancing making substantial savings. The example given of costs at £1,255.00 (or whatever) would immediately drop to £782.00 (£2 per cent). That would be far more benefit to house buyers than trying to perpetuate a dual system of registered and unregistered land.

Join the EMS club
From Mr W. Grey
Sir—Your comment (July 7) in the light of the latest "sterling crisis" that we would do better to be a "real rather than a shadow member" of the European Monetary System echoed what others have been saying all along. The EMS has now been in business for over five years.

The point about this no longer experimental system is not that it is a lifeboat for the weak, though mutual help is of its essence, but that it is a trigger mechanism for alerting one and all when things are going wrong in either direction, both when it is time to tighten the screw and when it is time to let up. Who can say with certainty that Britain, too, would not have benefited from such forwardings during the past five years? Of course, the mind boggles at the thought of what might have been if other currencies (no names, no pack drill) had been fully paid-up members of the club as well.

Shakespeare was a Yorkshireman
From Mr P. Pepper
Sir—I was surprised to read Alan Forrest (Travel, July 7) state that Shakespeare has not been claimed as a Yorkshireman.

The Bard was originally William de Shax's Pier, who took his name from a fishing village which was taken by coastal erosion, near what is now Robin Hood's Bay; hence the variations in the spelling of his adopted name.

Only after a short career in the jet mines at Whitby, during which Othello was drafted, did he move to Stratford. The rest, as they say, is history. Tom Pepper, 12, Aire Valley Avenue, Bradley, Keighley, West Yorkshire.

Lombard

The purpose of obscurity

By Max Wilkinson

AN MP who asked innocently about the costs of public transport, received the following reply:

"I enclose a copy of table 2.6 from the February 1983 White Paper—the geographical coverage of the table is England only for the sub-heads marked 6.1, 6.2 and 6.4. Great Britain for 6.3 and the UK for 6.5."

This answer, uncovered in a London Business School study this week, splendidly illustrates the first of two types of obscurity: the accidental and the deliberate.

One of the most blatant examples of the other type of obscurity—the deliberate—is to be found on the first page of the 1982 Budget Statement. This simply omitted three months' earlier to raise employees' National Insurance contributions by 1 percentage point.

The omission made it look as though the 1982 Budget was lowering the burden of personal taxation, whereas, if all the changes were taken together, tax was going up.

The distinction between "deliberate" and inadvertent obscurity is often blurred. The 1984 Public Expenditure White Paper, for example, contains no fewer than four different figures for Central Government's planned spending in the current year. The largest is £3bn greater than the smallest.

The reasons for the discrepancy might well be thought so obscure that they are of no importance. But that would be a mistake.

The Treasury has moved a chess-man into place. It may not know yet how or even whether it will exploit the ambiguity, but one can bet the PSBR to an Enterprise oil share that it is alert to the possibility.

One can just hear the minister earnestly assuring the House that the opposition got its figure slightly wrong and spending was actually £3bn less.

As the business school study points out: "The British system of government places a high premium on avoiding embarrassment and one obvious way to avoid this is by disclosing information only when required to do so, and not being more helpful than absolutely neces-

sary to those wishing to find information." Its authors suggest a major effort should be made to present the Government's spending and tax proposals in a more appetising, and more comprehensive way: the document issued with the Chancellor's March Budget should set out all the main figures for what the Government is proposing to spend alongside details of how it intends to raise the money to pay for it; supporting details should be relegated to a special volume of analysis for the experts.

It does not seem too much to ask that spending and taxation changes should be set out side by side. Moreover, it should be possible to compare the two sides of the Government's accounts without being a mental gymnast of Olympic calibre or hiring private economic researchers.

However, the Treasury's problem is that the spending White Paper is prepared some months before the Budget, so some of the assumptions behind it may be out of date by Budget time.

The business school's idea that the broad picture should be presented at Budget time with detailed estimates from departments following later, seems sensible.

However, it would not get rid of the major absurdity of the British Budget ritual. This declares that a huge mass of detailed figures and analysis is unleashed upon the world when the Chancellor sits down at around 5 pm.

This is far too late to allow most of the waiting press to give the proposals a careful critical reading before telling the world what they "really mean," a fact which has been cleverly exploited by Chancellors.

This doubly reinforces the need for greater clarity; but the Treasury should also look critically at the need for Budget secrecy, much of which serves no purpose but to heighten the drama of the Budget speech, and inhibits informed discussion. However, secrecy confers power, which is not often traded for enlightenment.

The Structure and Form of Government Expenditure Reports by Andrew Likierman and Peter Vass (£2.95. Certified Accountants Publications Ltd.).

This is neither an offer to exchange or sell nor a solicitation of an offer to buy or exchange any security. The Exchange Offer is made only by the Offering Circular dated June 20, 1984, as amended on July 12, 1984, and the related Letter of Transmittal, and the Exchange Offer is not being made to, nor will tenders be accepted from, holders of these securities in which the making or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

Pengo Finance N.V.

Extends its Offer to Exchange its Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991 and its Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due 1991

for its 8½ per cent. Convertible Subordinated Guaranteed Debentures 1995

The Class A and Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures are convertible into Common Stock of, and guaranteed on a senior subordinated basis as to payment by,

Pengo Industries, Inc. Fort Worth, Texas U.S.A.

Pengo Finance N.V., a Netherlands Antilles corporation ("Finance"), is offering to exchange \$500 principal amount of its Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due December 1, 1991 ("Class A Debentures") and \$500 principal amount of its Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures, due December 1, 1991 ("Class B Debentures"), the Class A Debentures and Class B Debentures are collectively referred to as the "New Debentures", in exchange for each \$1,000 principal amount of its 8½ per cent. Convertible Subordinated Guaranteed Debentures 1995 ("Old Debentures").

Accrued and unpaid interest on tendered and accepted Old Debentures will be cancelled. Old Debentures will be accepted only if tendered together with all interest coupons payable on or after December 1, 1983.

The New Debentures will be guaranteed on a senior subordinated basis by Pengo Industries, Inc. ("Pengo"), of which Finance is a wholly-owned subsidiary. The New Debentures will rank senior to the Old Debentures, and Pengo's guarantees of the New Debentures will rank senior to Pengo's guarantees of the Old Debentures. The Old Debentures are convertible into Pengo Common Stock, par value \$2.52 per share, ("Common Stock") at a price of \$32.25 per share. The Class A Debentures will be convertible into shares of Common Stock at a price per share equal to the greater of \$1.25 or 105% of the most recent closing sale price of the Common Stock on or prior to the Exchange Date, and the Class B Debentures will be convertible into shares of Common Stock at a price of \$4.50 per share, in each case, subject to an effective registration statement under United States securities laws.

The Exchange Offer is not conditioned upon the tender and acceptance of any minimum aggregate principal amount of Old Debentures; however, the tender and acceptance of at least 70% of the outstanding principal amount of Old Debentures is a condition to the consummation of a pending debt restructuring agreement of Pengo, unless such condition is waived or modified. If, however, such condition is not satisfied, waived or modified, the Exchange Offer will not be consummated and all tendered Old Debentures will be returned.

THE EXCHANGE OFFER EXPIRES AT 10:00 P.M. LONDON TIME, (5:00 P.M. NEW YORK TIME) ON JULY 26, 1984, UNLESS EXTENDED BY FINANCE. The terms and conditions of the Exchange Offer are set forth in the Offering Circular dated June 20, 1984, as amended on July 12, 1984 and the related Letter of Transmittal, copies of which should be obtained from the Exchange Agent.

All tenders are irrevocable if accepted by Finance prior to August 16, 1984. All tenders not accepted by Finance prior to August 16, 1984 may thereafter be withdrawn. The Old Debentures were suspended from trading on the Luxembourg Stock Exchange on December 12, 1983. Finance has made application to list the New Debentures on the Luxembourg Stock Exchange. In connection with the listing application, the Articles of Incorporation of Finance, the Articles of Incorporation and By-laws of Pengo and a legal notice relating to the issuance of the New Debentures will be deposited prior to the listing with the Chief Registrar of the District Court of Luxembourg, where copies may be obtained upon request. The Common Stock is listed and traded on the New York Stock Exchange (symbol: PGO).

REQUESTS FOR ASSISTANCE AND COPIES OF RELATED DOCUMENTS SHOULD BE DIRECTED TO THE EXCHANGE AGENT AS FOLLOWS: MR. RICHARD CREWS, CHEMICAL BANK, 180 STRAND, LONDON WC2R 1ET. TELEPHONE NUMBER: (COLLECT), 01-379-7474, TELEX NUMBER: 264766 (ANSWER BACK CHEMBK G). July 12, 1984.

SECTION II - INTERNATIONAL COMPANIES
FINANCIAL TIMES

Friday July 13 1984

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INTERFIRST RESULT REFLECTS LEGACY OF ENERGY LOAN LOSSES

Chemical Bank profits up 10%

BY PAUL TAYLOR IN NEW YORK

CHEMICAL BANK, the sixth-largest U.S. banking group in terms of year-end assets, yesterday reported a 10 per cent increase in second-quarter net earnings to \$76.755m.

InterFirst, the Dallas, Texas-based banking group which was battered by losses on its energy portfolio in the third quarter last year, reported a further slight improvement in quarterly earnings, although they remain sharply below corresponding 1983 levels.

Net income of \$13.4m, or 20 cents a share, in the latest period compares with \$9.8m, or 14 cents a share, in the first quarter and \$31.8m, or 58 cents a share, in the 1983 second-quarter.

InterFirst's problems were highlighted last year when it reported a \$194.2m third-quarter loss - the largest ever reported by a U.S. banking group - after taking \$334m in write-offs. The bank was subsequently forced by the Securities and Exchange Commission to increase its reported loss to \$243.5m.

Lockheed earnings up 15% in quarter

By Terry Dodsworth in New York

LOCKHEED'S restoration to financial health, underscored by its recent decision to resume dividends, was reflected in yet another strong profit advance for the California aerospace group in the second quarter, when net income rose by 15.7 per cent from \$88m a year ago to \$78.7m.

Westinghouse up 33% despite modest sales rise

BY OUR NEW YORK STAFF

WESTINGHOUSE Electric, the U.S. electrical, industrial and broadcasting group, yesterday reported a 33 per cent advance in second-quarter profits. Sales rose by 7 per cent.

Recovery in aluminium prices aids Reynolds

By Our New York Staff

REYNOLDS Metals, the second largest U.S. aluminium producer, has achieved a dramatic profit turnaround in the second quarter, thanks to the continuing recovery in aluminium prices.

Further strong growth for U.S. chip maker

By Louise Kahoe in San Francisco

INTEL Corporation, the California semiconductor maker, has reported earnings of \$4.6m or 47 cents per share, for the second quarter ending June 30th, up from \$2.3m or 22 cents per share for the same period last year.

Consumer products side boosts GE

BY OUR NEW YORK STAFF

GENERAL ELECTRIC, the diversified U.S. manufacturing group, has reported an 11 per cent increase in second-quarter net income led by a strong performance by its consumer products businesses.

Data Systems puts Raytheon into the red

By Terry Byland in New York

RAYTHEON, the major U.S. defence, aerospace and energy services company, lifted second-quarter net earnings from continuing operations to \$55m, or \$1 a share, against \$76.8m, or 81 cents.

Special gain lifts Teledyne

By Our New York Staff

TELEDYNE, the Los Angeles-based diversified manufacturing group, yesterday reported sharply higher second-quarter net earnings fuelled by a \$282.8m gain on the sale of investments.

U.S. health care sector problems hit Baxter

BY OUR NEW YORK STAFF

BAXTER Travenol Laboratories, the U.S. manufacturer of medical care products, gave a clear pointer to the current difficulties of the U.S. health care industry yesterday when it announced an 11 per cent decline in second-quarter earnings from \$53.5m, or 28 cents a share, to \$47.4m, or 24 cents.

increase over the \$464.6m achieved in the comparable period of 1983, but fell by 2 per cent in the six-month period from \$894.1m to \$874.1m.

Linford Wood Business Centre advertisement with image of building and text describing the facility and its location.

U.S. \$200,000,000 General Electric Credit International N.V. advertisement listing various financial institutions and terms of the offering.

INTERNATIONAL COMPANIES and FINANCE

Robert Cotterell reports from Tokyo on the latest diversification move by Minebea

Ball bearing maker adds chips to the menu

THE TOKYO headquarters of NMB Semiconductor is filled mainly with empty desks. In one room is an architect's model of NMB's proposed new factory in nearby Tateyama. In another room are wall-maps illustrating the commuting distances between Tateyama and Tokyo, and between Tokyo and Colorado Springs in the U.S.

Colorado Springs is the U.S. base of Immos, the British government-controlled micro-electronics group which recently agreed to licence to NMB the technology to manufacture a 256 kilobyte dynamic random access memory (256 k-dram) microchip, the component which provides memory capacity for computers.

The 256k chip is just entering mass production in Japan and the U.S. as the most powerful, state-of-the-art standard chip. NMB's production of such chips will take it into head-on competition with some of the world's largest electronics firms, including Hitachi, NEC and Fujitsu.

Analysts watch the situation with interest. Not only does NMB Semiconductor lack a track record in integrated circuit making: it is a recently-formed company with no track record at all.

Its principal sponsor is Minebea, a Japanese firm whose traditional line of business is making precision bearings. Minebea, in an un-Japanese fashion, is hiring in from other firms the trained brains which

it needs to run its semiconductor offshoot. It has already recruited a president for the new company, 66-year-old Mr Takumi Tamura, from the semiconductor subsidiary of the electronics group Sanyo.

The commuting distances at headquarters office are awaiting other agreed defections.

NMB Semiconductor is out to prove the contention of Mr Takumi Takahashi, Minebea's forthright boss, that the difficulties of producing high-tech silicon chips are greatly exaggerated. NMB is not disclosing its total cash investment in the project, but outside estimates put it at around \$200m.

Mr Takahashi joined Minebea—the name is a contraction of "Nippon Miniature Bearings"—in 1959, when it was a ball bearing maker with annual sales of \$170,000. In the financial year to September, Minebea's sales totalled the equivalent of \$470m reflecting a diversification away from ball bearings to include the manufacture of personal computer keyboards, loudspeakers (bought from Sony last year), defence electronics components, precision motors and electronic calculators.

Minebea, however, remains the largest manufacturer of precision bearings in the world, with an estimated one-third share of the U.S. market.

By any standards and particularly by those of Japan, Mr Takahashi is an aggressive businessman. He has made it



Mr Takumi Takahashi—"I could sell 90 per cent of the output by myself"

Minebea's stated policy to grow through acquisition, mainly of manufacturing facilities which bring component production in-house.

He has opened 18 manufacturing plants overseas, the largest in Singapore and Thailand, to take advantage of lower taxes and labour costs; and in the U.S. to lessen trade friction.

Only last week, Minebea made its largest acquisition move to date by bidding \$110m for New Hampshire Ball Bearings, a specialised U.S. company with a strong foothold in the military market. New Hampshire, whose management has been asked to stay on in the event of the take-

over succeeding, said it is actively considering the bid. Last year's sales were \$55m, about half of which were for the military market.

However, recent rapid expansion has depressed Minebea's net profits, which fell from ¥2.2bn (\$9m) in 1981-82 to ¥1bn in 1982-83. Mr Takahashi says that, with heavy investment in Singapore now completed, profits should rebound sharply this year and next.

An economist by training, Mr Takahashi describes himself as a "production man." He works in an office which is almost ostentatiously scruffy, and refuses to credit the process of silicon-chip manufacture with any particular mystique. He believes that the skills which Minebea has perfected in the mass production of miniature bearings are transferable to the manufacturing of semiconductors.

Immos has agreed to buy half of NMB Semiconductor's production. The two companies will also work together towards a 1 megabyte chip—the next generation product capable of storing 1m pieces of information.

NMB's Tateyama plant is scheduled to be producing between 1m and 2m chips monthly by the end of next year. While NMB is not being too specific about projected production levels, it appears to be hoping to raise output significantly beyond the 2m-per-month level in the longer term by more intensive plant utilisation and by reducing the proportion of im-

perfect chips produced.

The initial capital structure of NMB Semiconductor comprises paid-up equity of ¥2.5bn, 18 per cent of which comes from Minebea, 3 per cent from Mr Takahashi, 4 per cent from Mr Tamura, 54 per cent from three Japanese venture capital funds, and the balance from Japanese banks.

Next year, Minebea will raise its shareholding to a majority by subscribing for another ¥2.5bn of equity. Mr Takahashi says that, if all goes well, NMB Semiconductor may be seeking a public stock quotation of its own in five or six years.

By jumping straight into 256k chips, Minebea is going for the fastest-growing sector of the semi-conductor market. This chip is likely to overtake the 64k one as the largest-selling microchip in 1985-86, with the global market perhaps reaching 100m chips annually in three years.

Minebea will be grappling for market share, however, with competitors including Hitachi, Toshiba, Fujitsu and NEC, all of which are already mass-producing 256k drams, and each of which is likely to be producing at least 1m chips monthly by next spring. If Minebea did prove itself an efficient manufacturer, it would still remain vulnerable to the pricing and production tactics of far more powerful competitors. Mr Takahashi is unworried. "I could," he promises, "sell 90 per cent of the output of this plant by myself."

Honda well ahead in first quarter

By Robert Cotterell in Tokyo

HONDA MOTOR has reported consolidated net profits for the three months to May 31 of ¥28.5bn (\$117m), up 38 per cent on last year's ¥20.7bn.

Sales for this opening quarter totalled ¥69bn, 20 per cent up on the ¥58bn in the first quarter of 1983-84. Of the sales total, 28 per cent (¥18.5bn) arose in Japan, and 72 per cent (¥48.4bn) overseas.

Honda said its improved profitability reflected cuts in selling and administrative overheads, which accounted for 18 per cent of sales, against 20.7 per cent a year earlier.

Automobile sales rose by 21 per cent year-on-year in unit terms, to 310,000 units, and by 36 per cent in value terms, to ¥393.5bn, representing 59 per cent of total group sales.

By market, 96,000 automobiles were sold in Japan (94,000 a year earlier) while 214,000 were sold overseas (184,000 a year earlier).

Motorcycle sales volume fell by 15 per cent, to 747,000 units, and by 9 per cent in value terms, to ¥142bn. Domestic sales volume fell from 429,000 motorcycles in the first quarter of the last fiscal year to 289,000 in this year's comparable period.

But stronger demand in the U.S. supported sales volume overseas, where unit sales of 448,000 compared with 451,000 a year earlier.

Sales of power products, including generators and lawnmowers, rose by 28 per cent to ¥39.6bn in the quarter, while sales of parts rose 14 per cent to ¥94.7bn.

In its most recent full fiscal year, to February 29 1984, Honda reported consolidated net profits of ¥95.6bn, up by 32.3 per cent on the year before.

Mitsubishi Bank, one of Japan's leading commercial banks, is to co-operate with IBM Japan, Japanese subsidiary of the U.S. computer group, to develop and market a cash management system for smaller Japanese financial institutions.

SINGAPORE PRESS MERGER

Publishers balk at costs of competing

BY CHRIS SHERWELL, SOUTH EAST ASIA CORRESPONDENT

JOURNALISTS WORKING on the Straits Times, Singapore's premier English-language daily, carried placards and wore black armbands yesterday in a demonstration of anger at Wednesday's surprise announcement that the island state's newspapers are all to be brought under a single holding company.

But as one senior staff member quietly pointed out, their bulky annual bonuses remain safe because the remarkable deal makes clear commercial sense even if it might leave readers and the Singapore Press worse off.

The deal links Times Publishing, its sister company The Straits Times Press, and the competing Singapore News and Publications Ltd (SNPL) in a new and still unnamed conglomerate, with a market value of more than \$1.4bn (U.S.\$655m). That makes it Singapore's biggest industrial group and the sixth largest company quoted on the stock exchange after four banks, and the plantation group Sime Darby.

One of those banks, Overseas-Chinese Banking Corporation, is the dominant shareholder of Times Publishing. Another large Singapore bank, Overseas Union Bank, which ranks 10th on the stock exchange, is a major shareholder of SNPL.

The new company will be 84 per cent owned by Times Publishing with Straits Times Press holding 25.6 per cent and SNPL 16 per cent. At present, SNPL publishes the Singapore Monitor, an English-language evening tabloid, the Sunday Monitor and two Chinese morning and evening dailies. Straits Times Press publishes the Straits Times morning daily, the Sunday Times, the specialist Business Times, two Malay language papers, and a Chinese paper.

A statement from the company on Wednesday night promised that the status quo would remain, and worried staff were told yesterday this would last for two years. But it is difficult to see the new company avoiding a rationalisation of some sort.

Mr Lyn Holloway, a senior director of Times Publishing and of Straits Times Press, told the Financial Times that this did not necessarily mean closures, and the production of just one morning and one after-

noon paper for each of the languages. "Changes must be undertaken with imagination," he said. "The papers will compete, but in different markets."

This nevertheless sits uncomfortably with the intention behind the government-inspired re-structuring of the industry less than three years ago, when SNPL was created.

It was allocated two Chinese papers, and for three years was "lent" two Straits Times Press titles, the New Nation and Sunday Nation, which became the two Monitor newspapers. The Government then said openly it wanted two competing publishing houses.

Nor does the move hide the harsh truth that the duopoly created by the restructuring is now being converted into a single, larger monopoly of awesome money-making potential.

Straits Times Press, for example, made a trading profit of \$828.2m last year on turnover of \$1133.5m. Times Publishing turnover was even larger, at \$4491m, with pre-tax profits of \$960m.

SNPL announced pre-tax profits of \$825m on a \$1171m turnover. As a result of the merger, say the three companies, they will now avoid the \$200-300m costs of a circulation war that was already shaping up in anticipation of the Monitor becoming a morning paper and Straits Times Press restarting the New Nation. The three will also avoid relocating capital expenditures.

More important, the new company will be better poised to advance its communication and information technology. Singapore's telecommunication company, Telecom, has recently raised its stake in Times Publishing to nine per cent.

Inevitably, it is presumed that the Government encouraged this deal to go ahead. Negotiations took only a month, and the news came like a thunderbolt, both to the stock market and to the newspapers' staffs. Even the editor-in-chief of the Straits Times called the news "devastating."

But whether the average reader will truly suffer without the invigorating breeze of existing competition, is open to question, for he is already served an unrelenting diet of off-beat, uncritical news coverage.

Nicholas Kiwi shareholders reject takeover

MELBOURNE—Nicholas Kiwi yesterday said that its major shareholders support the board's view that the AS300m (U.S.\$247m) bid for the company from brewer Castlemaine Tooheys is inadequate and unacceptable.

The major shareholders are the Nicholas and Ramsay families, who hold about 45 per cent of Nicholas Kiwi's issued capital of 73.82m shares. Castlemaine proposed \$4.00 cash per share, or one of its own shares plus \$3.75 cash for every two Nicholas Kiwi shares.

Castlemaine shares have been trading at AS4.25. However, Nicholas Kiwi shares have been trading at about AS4.13. Reuter

Westpac and Ord Minnett in broking link

BY LACHLAN DRUMMOND IN SYDNEY

WESTPAC Banking Corporation, Australia's largest bank, has taken up a half share in the stockbroker Ord Minnett, finalising the banking-broking alignment for the three big private trading banks.

The linking of the two Sydney-based groups has been expected for some time. But initial wariness among the younger members of the broking firm and delays in finalising the regulatory environment allowing incorporation of brokers and outside shareholders have held off the marriage.

Westpac's move to a 50 per cent stake in Ord Minnett Holdings comes a week after Ord's was selected as the preferred broker for a Westpac marketing strategy which allows a sweep-

ing of funds to and from bank accounts and other investments managed by Westpac.

Its link comes after the National Australian Bank has taken a half share in A. C. Goode, while the ANZ Bank has linked with McCaughan Dyson. Outside the trading banks the Elders Group has 40 per cent of Roach Gilley Grice, and Wardley, the Hong Kong-owned merchant bank, has taken the maximum foreign stake of 14.9 per cent in a new firm, Rivkin.

The inevitable linkage of Westpac with a broker will allow it to match its banking rivals as they strive to become full service financial houses. Westpac has more than A-1bn (US\$833m) of funds under

active management. It will now be able to step up retail efforts through its 1,500 branches, and will also have the ability to offer full underwriting and share market support services for its corporate clients in a cohesive debt-equity package.

The additional muscle will assist Ord's in its underwriting and principal dealing functions, the latter having taken on a more important role since the introduction of negotiated commission in share broking from April 1.

Ord Minnett is among the top five brokers in Australia with a major presence in the equity and debt underwriting area. The existing firm will have four Ord representatives against three from Westpac on the new

holding company board. Reflecting the regulatory efforts to avoid conflict of interest, none of the bankers is from Westpac's investment management side.

Meanwhile, three of the biggest brokers—Bain, J. B. Were and Sons, and Potter Partners—have opted for independence while the government-owned Commonwealth Bank remains unconvinced of the need for a direct linkage with one broker.

Potter Partners' move earlier this week to have prospectuses for its own investment trust and share offerings by clients marketed through the national Post Office network is a sign of the innovation the more independently minded brokers are pursuing.

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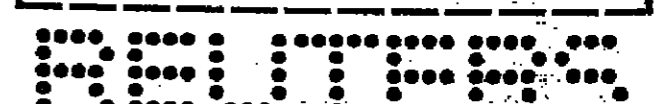
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INTL. COMPANIES & FINANCE

VW puts strike cost at DM500m

BY JOHN DAVIES IN WOLFSBURG

VOLKSWAGEN sees little hope of resuming dividends this year because of the financial setback inflicted by the metalworkers' strike.

Dr Carl Hahn, chief executive of the West German motor group, told shareholders yesterday that the loss of production during the labour dispute would have a "negative influence" of DM 500m (\$176m) on group after-tax profits for 1984.

VW said the estimated impact of the labour conflict would however be as the company made up some of the lost production and lost earnings, and as it intensified cost controls.

Like almost all the German motor industry, VW was forced to halt assembly lines in late May after metalworkers went on strike at component makers and cut off the flow of car parts.

Before resuming production last week, VW and its Audi subsidiary lost production of 160,000 vehicles and sales of DM 2.8bn. Revenue during the shutdown was only a quarter of the normal level.

Dr Hahn said that the company would try to catch up, partly by working during the normal August holiday shutdown, but was unlikely to make

up more than a quarter of the lost output.

He said it was too early to predict a year's financial results because of the attempt to recover ground and because of uncertainty about Latin American business. But he was very sceptical about whether the result could enable a dividend payment.

VW has not paid a dividend for two years, after losses of DM 800m in 1982 and DM 215m last year. The group turned round to a profit of DM 51m in the first quarter of this year from a loss of DM 100m in the same 1983 period.

The VW management and the supervisory board—representing shareholders and workers—came under strong criticism over the company's performance at the meeting, which was marked by tense moments and some sharp exchanges.

Some shareholders who criticised the metal workers' strike in West Germany were at times interrupted by boos and whistles from VW employees at the meeting.

Dr Hahn said that the labour conflict would show up with a "painful" impact on VW's financial result for the first half of this year.



Dr Carl Hahn: ground for optimism

But he said there was also ground for optimism and VW's position was basically solid, despite negative influences, mostly outside the company's control.

He said that economic conditions were favourable and VW had in many ways strengthened its international competitive-ness. For the first five months of this year, deliveries to customers in Germany had improved by 1.3 per cent to

349,000 vehicles. But with the assembly lines halted throughout last month, deliveries to customers in June were down 48.8 per cent at only 45,000 vehicles. As a result deliveries in the first half year were 8.2 per cent lower than a year ago at 394,000.

Dr Hahn said that the effects of the shutdown would show up in export sales this month. In the first half-year, sales in West European export markets were up 2.1 per cent to 332,000, while U.S. sales were up 34.8 per cent at 142,000.

He added that the company had increased the capacity to produce Golf and Jetta models, and proposed to hire 1,000 extra workers, mostly in Wolfsburg.

It had also signed a contract to help build a further 2,000 Santana models in China by next March, on top of earlier contracts to help build 600 vehicles. The company was hoping to form a joint company to build at least 20,000 Santanas in Shanghai from 1985.

VW has already agreed to start building a plant in China to begin producing 100,000 engines a year from 1985, mainly for export to VW's own assembly operations around the world.

Sweden accepts \$1bn increase in loan facility

By Peter Montagnon, Euromarkets Correspondent

SWEDEN yesterday accepted a \$1bn increase in the amount of the loan facility it is seeking in the Euromarket, bringing the total amount to \$4bn.

It will use the extra money to prepay an additional \$1bn in floating rate dollar debt, leaving only \$300m which has not been refinanced at least once this year. Mr Peter Engstrom, director of the National Debt Office said yesterday.

The loans to be repaid early include two private operations totalling \$200m, as well as the \$800m portfolio of drawings arranged through Morgan Guaranty in 1981 which also had a tranche of SDR 500m (special drawing rights, the currency unit of the International Monetary Fund).

Sweden has now basically completed its programme of refinancing its dollar floating rate debt, as the terms of the remaining \$300m are "quite reasonable," Mr Engstrom said. But it has floating rate debt in other currencies, including \$650m in sterling, and its whole borrowing portfolio is under constant review.

The \$4bn loan facility gives Sweden the choice of drawing funds on a normal Eurocredit basis, or of issuing short-term Euronotes, or of inviting participating banks to offer short-term advances. The facility has been arranged through Bank of Tokyo, Chase Manhattan, Citicorp, Morgan Guaranty and Svenska Handelsbanken.

First-half profits fall at ABN

By Walter Ellis in Amsterdam

ABN, the Netherlands' largest commercial bank, has joined Amsterdam-Rotterdam Bank (Amro), the country's number two, in disclosing a fall in results for the first half.

But, whereas Amro's downturn can be attributed largely to its involvement in the losing American bank (EAB) deal, ABN says that a 18 per cent drop in net profits from January to May was caused by falling Dutch interest rate margins and a slow growth in demand for credit.

In the prospectus for a Fl 500m, 9.25 per cent capital bond, due 1985-2004, issued this week, ABN says that its 1984 result as a whole is likely to come under pressure. Last year, earnings reached a record Fl 1.35bn (\$415m). Provisions against debt out of this year's profits are expected to be similar to the Fl 600m set aside in 1983.

Banks reach accord on Rumasa

BY DAVID WHITE IN MADRID

SPAIN'S principal private banks have reached agreement on the future of the banks within the Rumasa group which are being reprivatised after their seizure by the Government early last year.

The share-out of responsibility, announced yesterday by Sr Rafael Terres, chairman of the Spanish Private Banking Association (AEB), follows Cabinet approval of a deal with Spain's 12 top banks for handing the Rumasa units back to the private sector.

The Rumasa banks have a staff of more than 7,000 and have deposits equivalent to about 3 per cent of Spain's banking system.

The deal, approved in Cabinet two weeks ago, involves the issue of government bonds worth Pta 440bn (\$2.73bn), which will be subscribed jointly

Rescue bank	Deposits to be acquired (Pta bn)
Banco Central	55.3
Banesto	43.4
Hispano Americano	55.3
Bilbao	42
Vizcaya	68.2
Santander	32.3
Popular	21.9
Zaragoza	2.7

by the 12 banks in accordance with their size. The money will go to offset non-recoverable Rumasa loans.

The biggest of the Rumasa banks, Banco Atlantico, has been sold to a consortium led by Arab Banking Corporation. Number two in size, Banksur, is to be taken over by Banco de Vizcaya.

The five Rumasa units considered to be in poorest finan-

cial shape have each been allocated to an individual bank with the exception of one, the Catalonia-based Banco Condal, whose 92-branch network is now due to be split up among the purchasing consortium.

Banesto is to add four banks to its group and Banco Central is to acquire three banks. Banco Hispano Americano will take on two banks.

Only one of Spain's medium-sized banks, Banco Zaragoza, is directly involved in the share out, taking over the small Banco de Toledo.

The agreement is based on a compensation deal among the banks to share out the uneven burden of debt, which the Rumasa managers have accumulated with the Bank of Spain following last year's expropriation.

Hertie halves operating losses

BY JONATHAN CARR IN FRANKFURT

HERTIE, one of West Germany's leading retail store groups, halved its operating losses last year to DM 16m (\$5.8m) and pulled its Bilka shops out of the red for the first time since 1972.

The improved result, due above all to cost-cutting and rationalisation, came on sales down by 1.1 per cent on the 1983 figure to DM 6.1bn. However, 1982 was also Hertie's centenary year marked by special offers which helped inflate revenue. If this special

factor is excluded, then 1983 sales were up by 2.7 per cent.

As part of its long-standing efforts to restore the Bilka chain to profit, Hertie has closed six stores since 1982 and concentrated on building up Bilka's successful textile sales business.

As a result, fixed cost cuts have been large and the turnover loss small, bringing Bilka an operating profit of DM 2.5m last year after a loss of DM 7.5m in 1982.

Hertie's improved results contrast a trend set by other major German store groups last year. Karstadt and Kaufhof increased their dividends and Herten is resuming a payout.

Results for the first six months of the current year have been less cheering. Hertie reports group turnover down by 5 per cent against the same period of 1983, at least partly because of customer uncertainty caused by the strikes in the metalworking and printing industries.

Kubota edges forward

BY YOKO SHIBATA IN TOKYO

KUBOTA, Japan's leading manufacturer of cast iron pipes and agricultural and industrial machinery, lifted consolidated net profits by 3.9 per cent to ¥13.6bn (\$66m) in the fiscal year ended April 30.

Sales were ¥617.6bn, up 2.7 per cent from the previous year. Net profits per American Depositary Share (each ADR represents 20 shares of common stock) advanced to ¥211, from ¥203 in the previous year.

In the second half, overseas sales of agricultural machinery — its main business — advanced. But domestic sales remained static reflecting the government's policy of curbing rice production. Government restrictions on public work expendi-

tures slowed sales of cast iron pipes and anti-pollution equipment.

Exports rose by 11.8 per cent to account for 24 per cent of total turnover.

For the current fiscal year ending April 1985, higher domestic demand for agricultural machinery is expected as a result of the Government's change of policy on rice production which is to be expanded to ease a possible shortage after bad crops for four consecutive years.

Sales of cast iron pipes and construction machinery are also expected to recover. Higher sales and earnings are expected for the current fiscal year.

Ducellier to cut workforce by around 18%

By David Marsh in Basle

DUCELLIER, the loss-making French motor components company now owned by the Valeo group, has announced plans to cut its workforce by 970, or about 18 per cent.

No details have been decided as the plan is still being discussed with unions. Ducellier said in a communique that the lay-offs were necessary because of uncompetitive costs, a 30 per cent fall in volume of activity over the past two years and accumulated losses over four years of FFr 200m (\$23m).

"The survival of Ducellier makes this adjustment inevitable," the company said.

INTERNATIONAL APPOINTMENTS

Changes at International Multifoods

INTERNATIONAL MULTIFOODS CORPORATION has elected president and chief operating officer Andre Gillet to the additional office of chief executive officer. Mr William G. Phillips, formerly chief executive officer and chairman, will continue as chairman. Minneapolis-based International Multifoods is a diversified food processing corporation operating principally in the U.S., Canada, Venezuela and Mexico.

Mr Jozsef Melchior, senior vice-president of the corporate banking department, DEN DANSKE BANK, Copenhagen, has been appointed executive vice-president. Mr Ole Jakobsen, vice-president of the foreign exchange department, has been appointed first vice-president.

Mr James W. Turner has been elected president of PHELPS DODGE SALES COMPANY, INC., a subsidiary of Phelps Dodge Corp., the U.S. copper producer. Mr Turner has been associated with Phelps Dodge for his entire business career. He became vice-president of the sales company in 1972 and has served as its executive vice-president since 1979. Mr Turner is

also senior vice-president of Phelps Dodge Copper Products Company.

Mr Thomas J. O'Rourke has been appointed senior vice-president in charge of member relations at MASTERCARD INTERNATIONAL INC. Prior to joining MasterCard, Mr O'Rourke served as senior vice president for five years in the Citicorp consumer banking group, most recently as business manager for the corporate services program of Citicorp Diners Club.

Former Conference Board president and FDIC chairman Kenneth A. Randall has been named chairman of the board of INTERNATIONAL COMPUTERS INC. Mr Randall will be responsible for developing and implementing the long range strategic business plans and objectives of ICL, Inc., in the U.S. He is a member of the parent ICI group international advisory panel and a consultant on commercial trade issues.

ST. JOE MINERALS CORP. has made two appointments in its subsidiary operation St. Joe International Corp. Mr Denis Acheson was named vice president of St. Joe International

Corporation with responsibilities for the company's business activities in Europe, Africa and Asia. Mr Acheson will be based in London, England. He was previously president of St. Joe International's Chilean subsidiaries, Compania Minera San Jose and Compania Minera El Indio. Mr Paul Hodges will assume the office of president of St. Joe International's Chilean subsidiaries. He was previously vice president of operations for these subsidiaries. Mr Hodges will be based in Santiago, Chile. St. Joe Minerals Corporation is part of Fluor Corporation.

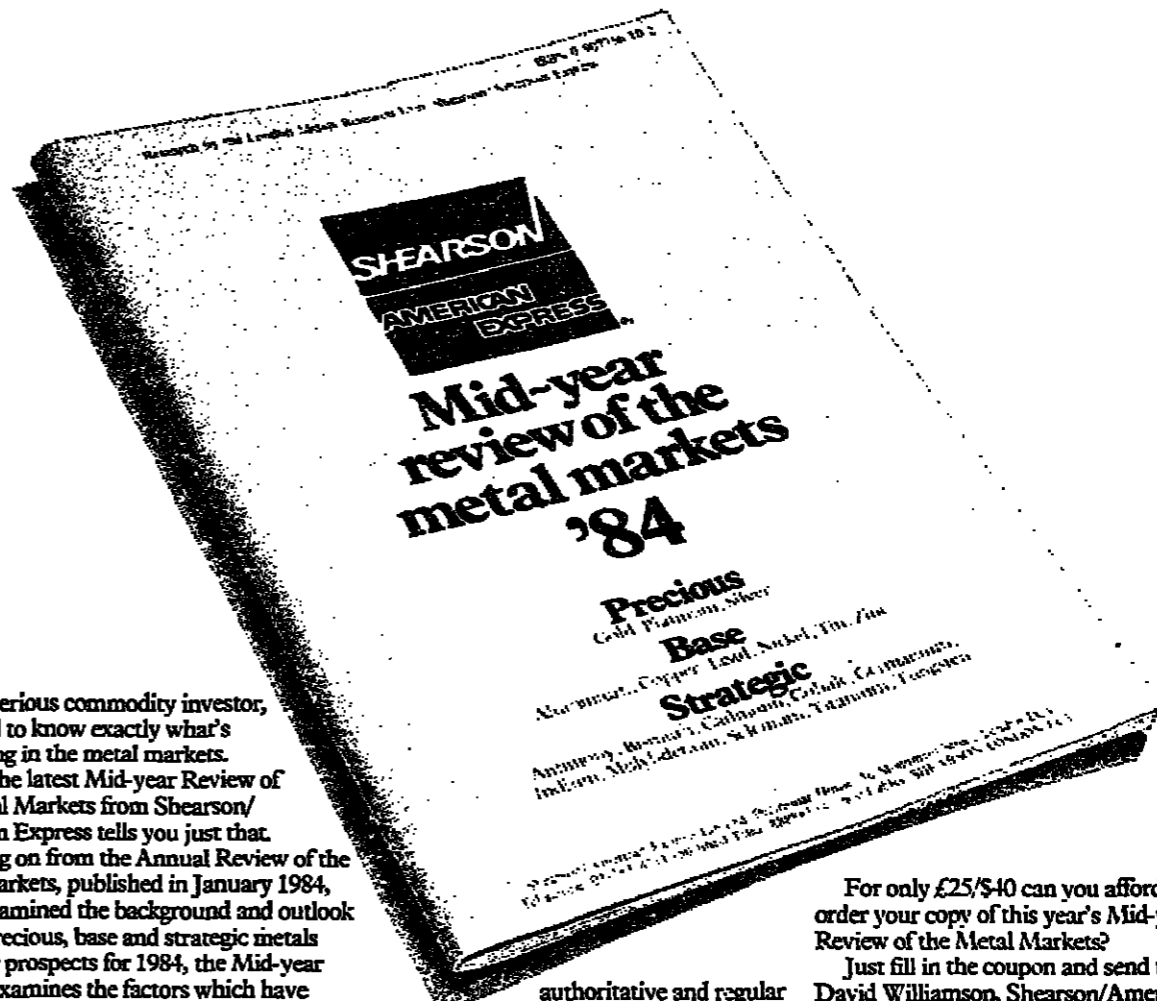
INCO has appointed Mr Michael D. Sopko president of the company's Ontario division. Mr Sopko replaces Mr Winton K. Newman, who is retiring from Inco after 30 years service to Inco. He was previously vice president of the Mining Association of Manitoba. Mr Malcolm C. E. Bell has been appointed Ontario division vice-president, mining, smelting and refining. He was vice-president, Inco, responsible for process research and technology.

THE DREYFUS CORPORATION has elected Mr Thomas E.

Jackson as president of The Dreyfus Fund, its largest equity fund. He succeeds Mr Howard Steln, who remains as chairman of the fund. Mr Stein is also chairman and chief executive of The Dreyfus Corporation. Mr Jackson joined The Dreyfus Fund as executive vice president in April 1983. Before that he was a vice president of Chase Investors Management Corporation New York, the investment management affiliate of The Chase Manhattan Bank, N.A., where he managed the Primary Equities Group.

Mr Richard E. Horner, formerly chief executive of Western Union subsidiary, has been named president and chief executive of WESTERN UNION PERSONAL COMMUNICATIONS INC. Mr Fredric R. Boswell, president of Johnson, succeeds Mr Horner as E. F. Johnson's chief executive. Western Union Personal Communications, Inc., the newest subsidiary of Western Union Corporation, was recently formed to manage the company's growing involvement in the cellular radio field.

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"Today I believe most South Africans of all colours desire a more just and equitable society"

Abridgement of the statement by Mr G. W. H. Rely, Chairman of Anglo American Corporation of South Africa Limited.

The improvement of 9.3 per cent in group attributable profit to R554.1 million arises from an increase of R45.6 million to R494.8 million in investment income; this was due mainly to the higher distributions received from gold mining companies, directly or via Anglo American Gold Investment Company. Those higher dividends in turn were made possible by the increase of 15.1 per cent, to R474 an ounce, in the average rand price of gold in 1983, which flowed from a 12.7 per cent appreciation in the average dollar price, to \$424, and a 2.7 per cent depreciation of the rand. The fall in the dollar price since then, to an average of \$381 for the first half of 1984, has been offset by the further depreciation in the exchange rate, the rand price averaging R479 an ounce.

FINANCIAL SUMMARY		Year to March 31	
		1984	1983
Equity Earnings			
Excluding share of retained profits of associated companies	— R millions	554.1	506.8
	— cents per share	243.8	223.3
Including share of retained profits of associated companies	— R millions	800.2	637.7
	— cents per share	362.0	280.9
Dividends	— R millions	272.8	249.7
	— cents per share	120	110
Net asset value	— cents per share	4,238	3,321

The dollar price of gold has weakened for reasons similar to those that have depressed most of the major international currencies. The kernel of the matter is the strength of the US dollar, resulting from the combination of high real interest rates and its world-wide attraction as an investment medium. In addition, sales of jewellery outside the United States and Japan have declined — owing largely to higher domestic gold prices in countries where disposable incomes were under pressure — leaving more gold to be taken up in a market characterised by investor indifference. So central is the metal to South Africa's well-being that the latest setback in the price, if it persists for any length of time, will of itself leave the authorities with no option but to tighten fiscal policy which would have further adverse consequences upon growth. At this juncture, however, it is as well to remember that the dollar's value will eventually be affected by the continuing US budget and current account deficits, particularly if the cost of financing them threatens to jeopardise the American recovery.

South Africa and World economy

The condition of the world economy, on which South Africa — trading internationally more than 25 per cent of its GDP — is so dependent, has changed significantly in recent years, mostly to our detriment. We cannot take for granted that we will move into the broad-based and sustained recovery in demand for our exports that we experienced in previous cycles. Our manufacturing industries, for reasons unexceptionable in themselves, are going to be required to adjust to protection primarily by way of tariffs instead of quotas, at a time of intense international competition which threatens to erode their share of the home market and/or jeopardise their ability to expand into export markets. Compounding the problem is the fact that in all but a few cases our productivity is not as high as in countries at a broadly comparable stage of development. For this we have to blame, mainly, a historical neglect of education and technical training and misdirection of the skills we do have.

Against an average increase of 63 000 jobs a year we have to set projections of the growth in the economically active population in the rest of this decade, which imply a need for job creation averaging more than 300 000 a year. Agriculture can do little to alleviate unemployment but there is no doubt that the informal sector, given the proper stimulus, could make a significant and cost-effective contribution to it.

Foreign investment

It is the more capital-intensive sector of the economy, however, that will remain a major engine of growth and employment creation in the longer term. That is yet another

reason why the issues of low productivity and the further erosion of comparative export advantage have to be faced. In a world that is growing both increasingly competitive and protectionist, we cannot afford policies which impair our fundamental ability to pay our way. Failure to tackle the structural problems in our economy will effect the flow of foreign investment to South Africa just as surely as would heightened perceptions of political risk. It would be a tragic irony if such investment, so valuable to us still in terms of access to technology and employment, were to become less attractive on account of our relatively high costs, at a time when South Africa's acceptability overseas may be showing signs of improvement. Such improvement will not, of course, diminish calls for disinvestment from South Africa from people, particularly in the United States, who simplistically condemn any steps that lead to the economic upliftment of black South Africans as support for racism. Others, believing that such important issues should be viewed objectively, will ask themselves, inter alia, why the disinvestment lobby has failed to win any support among the vast majority of black South Africans whose interest it claims to represent.

Political developments

Today I believe most South Africans of all colours desire a more just and equitable society. Mr P. W. Botha has chosen to set the country now on a course of what might be called decentralised democratisation which, while it maintains a sub-structure of racial self-determination, also appears to envisage a superstructure of national co-operation. If Mr Botha can maintain the thrust of his policy to embrace the urban black population and then move to some federal system to embrace the country as a whole, we may have reason to hope that these initiatives will evoke the vitality and optimism to bring about a new era, with profound implications for southern Africa as a whole.

Reform of our economic system will require no less courage on the part of government, and from the private sector it will require a greater commitment to the principles of private enterprise than perhaps we have shown so far. The conflicts and contradictions in our economic structure are too deep-seated to lend themselves to easy and popular remedies.

Hard and difficult decisions have to be taken. Time is not on our side; the pace of industrialisation in the Far East is proof of that. Provided we are determined to maximise our economic growth by removing or significantly reducing all obstacles to the allocation of resources by the market, uncomfortable for many of us though that may be — there is no reason why success should elude us.

If we succeed in that aim, we shall also have succeeded in another, without which the first is of limited usefulness. A more whole-hearted commitment to the free market system cannot have the required effect unless its benefits are freely extended to the people who by law or custom are still denied full access to them. Their willing and constructive participation will not be obtained without concomitant advancement in political and social, as well as monetary terms. Given that, we may then feel that the foundations of our society are securely laid, for among the virtues of the free enterprise system is one that surely is of special relevance to all South Africans: that in decentralising decision-making it decentralises political, as well as economic, power.

Anglo American Corporation of South Africa

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UK COMPANY NEWS

Imps tops £90m midway but growth slows down

IMPROVED TRADING results and lower interest charges have combined to give Imperial Group a 15 per cent increase in taxable profit, from £79.1m to £90.7m, in the six months ended April 30 1984. The directors expect that the result for the full year will show a similar rate of progress.

At the last year end this tobacco, brewing and foods concern turned in taxable profits up by 27 per cent to £195.3m, on total sales of £4.38bn.

The directors have declared an interim dividend of 3p per share, against 2.75 last time when the total reached 7.5p. It is covered by earnings of 8.7p (7.3p) after tax, and 12.2p (10.9p) before, and represents the first increase in the interim for five years.

Profit at the operating level showed a 5 per cent increase from £92.6m to £97.3m, to which the share of profits from

associates added a further £1.5m (£1m).

The taxable result was substantially boosted by a £8.4m drop in interest, less investment income to £8.1m. The reduction was largely the result of higher cash balances during the period, due in part to the receipt of £90m from the disposal of the UK poultry business.

A divisional breakdown of turnover and operating profit reveals: tobacco £1.17bn (£1.2bn) and £55.7m (£54.3m); brewing and leisure £440.2m (£419.3m) and £32.2m (£28.1m); foods £292.5m (£301.3m) and £12.1m (£10.4m); Howard Johnson Company (the U.S. subsidiary) £242.1m (£230.9m) and £2.8m (loss £0.5m). Other activities added £13.3m (£12m) to sales and £100,000 (£300,000) to the return.

Commenting in detail, the directors state that at Imperial



Geoffrey Kent, chairman of Imperial Group... foresees more sustainable rates of profit growth

Magnet & Southern up 32% at record level

Magnet & Southern failed to achieve its targeted full-year profit level of at least £34m, but in reaching £32.13m the group has established a record at the taxable level and notched up a 32 per cent increase over the comparable £24.33m.

The company is a manufacturer of prepared joinery, doors and ancillary products, and has expanded through the year to end-March 1984, Mr S. Oxford, the chairman, reported that profits had climbed from £19.7m to £17.23m and indicated that the second six months would yield a similar amount.

There were two reasons for the slightly disappointing second half, says Mr Oxford. First, an additional £700,000 was spent on advertising and sales promotion which has not been included at the time of the interim announcement.

The second and more significant reason was an erosion of associate interest, the share of profit before tax was £1.4m against £3.8m with the fall more than accounted for by the losses of Telecom Plus International incurred during its industrial dispute.

Total financing costs of £13.2m, consisting of interest charges and dividends, were £1.6m lower than in the same period last year reflecting a reduction in the average cost of funds. At constant exchange rates closing net debt would have shown a £33.7m reduction on the corresponding period of last year.

Rank's chief executive Mr Michael Gifford has effectively ruled out any major surgery at the group this year.

He says that while it is hard to predict the level of disposals planned for the second half, he would not be surprised if they were more than £48m realised in the opening six months.

Mr Gifford adds: "We have no current intention to sell our hotels. The investment performance in the first half and the prospects in London look good. We certainly have no deliberate policy to sell them, although that's not to say that

Rank comes up to expectations with 28% rise to £48m

RANK ORGANISATION'S performance over the 28 weeks to May 12, 1984 met the expectations of progress and improving profitability indicated at the annual meeting in March.

Group profits before tax advanced by 27.5 per cent from £27.5m to £48m on turnover of £248.5m, compared with £268.4m.

The most notable improvement was in the trading profit of the directly managed Rank companies which rose by 66 per cent to a record £18.5m. Most of the group's business contributed to this gain, with the larger improvements coming from hotels, Top Rank clubs, Film Laboratories, Rank Taylor Hobson and the Australian and North American operations.

Rank's profit before tax increased to £34.4m compared with £26.4m. From the remaining associate interest, the share of profit before tax was £1.4m against £3.8m with the fall more than accounted for by the losses of Telecom Plus International incurred during its industrial dispute.

Total financing costs of £13.2m, consisting of interest charges and dividends, were £1.6m lower than in the same period last year reflecting a reduction in the average cost of funds. At constant exchange rates closing net debt would have shown a £33.7m reduction on the corresponding period of last year.

Rank's chief executive Mr Michael Gifford has effectively ruled out any major surgery at the group this year.

He says that while it is hard to predict the level of disposals planned for the second half, he would not be surprised if they were more than £48m realised in the opening six months.

Mr Gifford adds: "We have no current intention to sell our hotels. The investment performance in the first half and the prospects in London look good. We certainly have no deliberate policy to sell them, although that's not to say that

Favourable market helps Robert Fleming to £15.5m

HIGHLY favourable market conditions helped Robert Fleming Holdings, the merchant bank group, to record a 28 per cent increase in profits for the year ending March 31. After tax and transfer to inner reserves, these amounted to £15.5m compared to £12.1m the year before. The dividend is being increased from 3p to 4p.

Mr J. Burnett-Stuart, the chairman, said all major departments of the group did well: investment management, banking, corporate finance and security dealing.

In addition, Save and Prosper, the UK investment management company of which Fleming owns 87.7 per cent, recorded a 37 per cent increase in profits to £8.64m. Overseas, Jardine Fleming, the group's joint venture in Hong Kong with Jardine Matheson, had a record year, and further

Mitchell Somers' slight decline

Pre-tax profits at Mitchell Somers, the West Midlands-based engineer and forgermaster, declined from £1.23m to £1.03m in the year to March 31, 1984. At halfway, the figures had fallen from £717,000 to just £9,000, and the chairman said at the time that trading conditions in the group's forging and heavy machining subsidiaries had been poor, but some improvement was visible.

The final dividend is unchanged at 1.75p for a same-again total of 3.25p. Earnings per 10p share were down from 6p to 5.2p, and net asset value per share was lower at 87p, against 89p.

Group turnover for the year was down from £32.73m to £29.88m. The pre-tax figure was after interest charges of £290,000 (£289,000). Last time there was investment income of £14,000. Tax took £214,000.

Lofs shares suspended ahead of rights issue

Underwriting was said to be very nearly complete yesterday. Lofs disclosed a loss of £6.5m in the first half of the financial year, and despite a subsequent improvement in rates, the best that Mr Miles Kukulundia, the managing director, would say in May was that the deficit in the second six months would not exceed that sum.

The balance sheet drawn up at March 1983 showed net worth of £27.36m, down from £41.94m, secured loans of £33.2m and cash of £9.73m.

A conditions of the banks' continued support has been the injection of new equity capital which, advised by Hull Samuel, Lofs expects to have underwritten by today.

	Improvement over 1983 %	1984 £000	1983 £000	1982 £000
Turnover	(4)	177,143	184,116	148,458
Pre-tax profit	35	5,163	3,825	2,556
Ordinary dividend	11	6.4p	5.75p	5.25p
Earnings per share	22	13.2p	10.8p	5.1p
Dividend cover		2.1	1.9	1.0
Pre-tax return on capital employed		24%	19%	13%

"The improvement in profit is attributable to the significant reduction of losses in Denby production and in electrical wholesaling, and to much better results by Crown House Tableware and W. J. Furse. A lower contribution was made by Crown House Engineering but in view of the exceptionally good figures achieved in 1982/83 this was considered satisfactory. Net cash at 31st March 1984 amounted to £7.3 million compared with net borrowings of £1.8 million a year earlier. Trading conditions remain fiercely competitive, but prospects for the current year are regarded as reasonably favourable."

Patrick Edge-Partington, Chairman

A total view of Crown House

Electrical & Mechanical Services

Crown House Engineering provides a complete engineering service both at home and overseas for the construction and manufacturing industries covering electrical, mechanical, instrumentation, systems control and maintenance services. The company operates from 14 branches covering the United Kingdom and some 25% of turnover is performed overseas.

Tableware

Crown House Tableware is responsible for the tableware activities of the group. Its products include Edinburgh and Thomas Webb full lead crystal glassware, Dema machine made glassware and Denby fine stoneware. The division operates about 100 shops-within-shops in leading stores in the United Kingdom, and rather more than 30% of turnover is exported, about half of this being in North America.

Tableware

W. J. Furse manufactures lightning conductors, earthing and stage lighting equipment and is distributor for a wide range of specialist engineering equipment. Teams of steeplejacks install lightning conductors, repair industrial chimneys, churches and high rise buildings. Goods and passenger lifts are also designed, manufactured and installed, and a nationwide maintenance and refurbishment service is provided. About 30% of turnover is sold overseas.

To: Norman Vigor, Crown House Public Limited Company, 2 Lygon Place, London SW1W 0JT, Telephone: 01-730 9287.

Please send me the 1984 Crown House Annual Report and Accounts, on publication next month.

Name _____

Address _____

Crown House

You may not see us but we're there

Highlights

Lex looks at the fall out in the stock market which was abruptly halted by the close of trading yesterday. The FT-SE Index closed 10.5 points down on the day having been at 22 points up in the early afternoon. The column then looks at Thom's decision to go for Immos and the market's assessment of the ambiguous trading prospects. Lex then examines the progress achieved by Rank, which at last seems to be making some money from its own businesses and generally cleaning up its market image. Finally the column considers the latest results from Imperial, where the figures may look disappointing though they are backed by a bullish statement.

"I don't have a price, everything has..."

He added that he did not have such "robust views" concerning Rank's prospects, which he estimated to be worth around £160m, where disposals could take place.

Earnings per share moved ahead from 7p to 12.2p and the interim dividend has been raised by 20 per cent from up to 4.8p net. Last year's final dividend was 6p with taxable profits at £89.3m.

Profits were subject to tax of £16m, against £20m, leaving a net balance of £23.8m (£17.5m). Minorities accounted for £3.2m (£1.3m) and preference dividends took the same at £300,000, after which the attributable profit was £23.3m (£16.9m). Ordinary dividend payments absorbed £2.7m (£2.1m). "There have been minor restatements of this year's interim results to bring them in line with the basis on which the year 1983 results were reported. Apart from this, the above results have been presented on consistent accounting bases and therefore exclude Butlin's, Leisure Holidays and Rank Travel.

See Lex

Associated News at £8.4m so far but sounds warning

THE DIRECTORS of Associated Newspapers Holdings, reporting an increase in pre-tax profits from 57m to 63.5m at midway, warn that competitive conditions are likely to cause earnings from trading in the second half year to be at a lower level.

The result for the six months to March 31 1984 represents a 20 per cent increase over the comparable period, and follows the £16.4m (£14.7m) reported at the last year end.

The interim dividend is unchanged at 4.5p—last year's total was 12p—and is covered by earnings per share shown as 15.3p (12p).

The group, publisher of the Daily Mail and Daily Express as well as a string of provincial titles, reports increased sales of £173.87m against £147.62m.

Earnings from trading emerged sharply up from 44m to £52.8m, while the share of related companies' earnings dropped from £1.12m to £727,000. Income from other fixed asset investments fell slightly from £1.45m to £1.4m. Net interest took £41,000 this time (added £417,000).

The tax charge was reduced from £2.35m to £2.15m, and minorities absorbed £279,000 (contributed £5,000). As in previous years, extraordinary items will be dealt with in the full year accounts and will include the profit arising from the sale of Reuters shares.

● Daily Mail and General Trust, the investment holding company which has a 49.5 per cent share in Associated Newspapers, has seen its net asset value rise to £13.83 per share in the same period, against a comparable 81p.

There is to be an unchanged interim dividend of 12p, after the 34.5p total last year.

Net revenue, including the proportion of profits of its principal associate, was £23.7m (£23.7m) and pre-tax profit (£14.3m) is attributable to Daily Mail.

Net revenue-form investments other than Associated Newspapers was £702,000 against £746,000. Earnings were stated as 14.3p (14.1p) per share.

● comment

The market's reaction to the Associated Newspapers statement was graphic enough, sending the shares down 5p to 440p. At least some analysts had expected a rise in the price, but the bearish tone on the second half came as a surprise. The group is not known for being chatty about its affairs, so it is not easy to surmise what the "competitive conditions" amount to. But the oil interests still seem to be healthy—and the rise in the dollar can do no harm—while the other non-newspaper interests should still be benefiting from the economic cycle. If does look as if the culprit might be the Mail on Sunday; circulation has risen in the period by 0.3m copies, to 1.6m, but promotional costs apart there is no telling how much is being charged for advertising space. Pre-tax profits could be at best unchanged for the year, even allowing for interest on the £18m of cash from the Reuters sale. In that case, the prospective multiple is nudging into double figures.

COMPANY NEWS IN BRIEF

Saravata Technology, which designs and sells high precision measuring equipment, has had its offer for sale of 5.866m shares oversubscribed with applications for 14.46m shares received by Barclays Merchant Bank.

Employees applied for 160,400 out of a possible 283,317 pink forms reserved initially for employees.

Applications for between 100 and 900 shares will be allotted in full; between 1,000 and 50,000 will be allotted 48 per cent of the shares applied for or a minimum of 900 shares; and applications for over 50,000 shares will receive 30 per cent of their application subject to a minimum of 20,000 shares and a maximum of 200,000 shares.

Dealings are expected to commence on Wednesday, July 18, 1984.

Profits at the pre-tax level rose sharply at Bromsgrove Casting and Machining in the year to March 31 1984.

The result, at £255,000 against £140,000, was achieved on a less than proportionate increase in sales, from £4.08m to £5.13m.

The final dividend is raised from 1.5p to 2p per 5p ordinary share, and lifts the total by 0.5p to 2.75p. Earnings are shown at 27.6p (10.1p). There was a tax credit of £186,000 (£22,000).

Following a rise from £197,000 to £268,000 at halfway, Philip Harris (Holdings), scientific apparatus manufacturer, finished

the March 31 1984 year with £212,000 taxable profit, compared with £489,731. Turnover moved ahead from £21.26m to £24.83m.

Pre-tax profits at Forshaw Burtonwood Brewery slipped from £2.79m to £2.03m for the year to the end of March 1984. Turnover of this Warrington-based brewer rose from £20.05m to £22.55m.

The net final dividend has been held at 6.89p which raises the total to 8.89p to 8.89p. Earnings per 25p share were shown as rising from 34p to 36.6p.

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corpe. payment	Total	Total 1984
Associated News	4.5	Aug 23	4.45	—	12
Birraid Qualeast	0.66	Sept 14	0.33	—	1.33
Bromsgrove Casting	2	—	1.5	2.75	2.25
Crown House	3.9	Oct 1	3.3	6.4	5.76
Daily Mail & Gen Int	12	—	12	—	84.5
George Dew	2.3	Sept 21	2.3	—	10
Forshaw Burtonwood	6.59	—	6.59	9.09	8.63
Greycast City	0.8	Oct 1	0.65	1.4	1.15
Hedland	0.24	Aug 17	0.24	—	2.32
Philip Harris	6.25	Aug 24	4.75	7.25	6.75
Estates Int	4.51	—	4.51	—	7.9
Imperial Group	8	Nov 2	2.75	8	7.5
Jones Stroud	4	Oct 13	3.5	6.5	16
A. Kershaw	2.7	Oct 31	4	—	15
Magnet & Southern	2.7	Oct 1	2.2	4.7	3.9
Mitchell Somers	17.5	Oct 1	1.75	3.25	3.25
Occasional	0.75	—	0.75	—	10.75
Rank Organisation Int	4.8	Nov 1	1.63	3.2	2.3
Ratners	1.63	Oct 3	0.75	1.8	1.25
Stirling Gp	1.1	Sept 20	0.75	1.8	1.25
Thorn EMI	12.5	Aug 17	11.7	17.5	15.75
Tribe Inv	0.55	Aug 14	0.5	—	0.15
Triplex Foundry	0.5	Sept 21	0.5	—	0.1
Western Found Mills	5	Sept 11	5.3	8	7.3
Yeoman Inv	3	Sept 10	2.5	—	7.7

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$ stock. § Unquoted stock. ¶ Includes special non-recurring 0.5p payment.

UK COMPANY NEWS

Jones Stroud moves past £3m mark

AS expected, pre-tax profits of Jones Stroud (Holdings), manufacturer of fabrics, accessories and materials for the textile and electrical industries, exceeded the £3m mark with a record £3.38m for the year ended March 31, 1984. This is compared with £2.73m last time.

In their interim report—profits then had moved ahead from £1.33m to £1.66m—the directors said that the group's trading position continued to steadily improve and profits for the second half would exceed those of the first.

Turnover for the 12 months expanded by £6.04m to £36.6m and trading profits amounted to £3.38m, compared with £2.73m. The £3m share included associates share of £458,000 (£259,000), but was after interest payable of £332,000 (£334,000).

The directors comment that prospects for the 1984-85 year largely depend on the economic climate in the UK which is still the group's major market. This is currently "extremely difficult" to predict, they say, but the group is now stronger in the industries it serves and profits are expected to attain a satisfactory level.

After tax of £1.33m (£749,000), extraordinary debits £434,000 (£334,000) and a dividend of £1,080,000 (same), the attributable balance came through down from £1.88m to £1.49m. Earnings per 25p share were 20.7p (20.25p) and 12s 6d with a final distribution of 4p (the total is increased to 6.5p (6p)), which will absorb £601,000 (£555,000).

Western Board Mills

Pre-tax profit for the year to March 31 1984 improved slightly to £1.99m against £1.98m last time. The main activities of the group are manufacture of mill and fibre boards from waste paper and fabrication of board components.

The directors recommend a final dividend of 6p (5.3p), giving a total for the year of 8p (7.3p).

Turnover for the year rose to £24.21m (£23.77m). After tax of £916,979 (£882,189) and dividends of £423,120 (£386,097), retained profits emerged at £383,859 (£319,092). Earnings per 10p ordinary share dipped to 20.3p (20.9p).

Thorn EMI profits expand £35m to £157m

WITH MOST of the increase coming in the first six months, pre-tax profits of Thorn EMI, consumer electronics, music, domestic appliances and lighting group, amounted to £156.8m for the year ended March 31, 1984, compared with £122m previously. At halfway the figure had reached £58.8m, against £27.6m.

External turnover expanded by £106m to £2.82bn and the dividend is lifted to 17.5p (15.75p) per share with a final payment of 12.5p.

The directors also announce that agreement has been reached whereby Thorn will purchase British Technology Group's shareholding of some 7% per cent in Immos for £96m.

A geographical analysis of turnover shows: UK £1.72bn (£1.83bn); rest of Europe £495.5m (£521.6m); the Americas £229m (£204.3m); Australasia £148.5m (£137.4m); Africa £96.9m (£61.1m); Asia £65.3m (£58.7m).

In addition, an analysis of turnover and pre-interest profits between the UK (including exports) and overseas shows: UK £1.85bn (£1.76bn) and £143m (£130.9m); overseas £975.7m (£967.3m) and £46.6m (£33.3m).

Mr Peter Laister, chairman and chief executive, says that at the start of the year the group had begun to see an upturn in the level of UK consumer spending, particularly in the areas of consumer electronics and some parts of the domestic appliances sector.

Overall profitability levels have been held in rental and market share was increased, while the group has maintained its policy of providing high quality, advanced technology televisions and videos. "In a changing market we remain confident about the opportunities that exist," Mr Laister states.

He points out that in those parts of the engineering division where it provides services or products primarily associated

with medium or heavy engineering, "we found little true recovery and our view is that until this sector does improve there will be no sustained growth in the industrial base of the national economy."

The chairman adds, however, that the group has strong operations in areas which have been far less affected by the recession.

Trading profits amounted to £49.1m, compared with £38.6m, which were subject to depreciation up from £236.2m to £260.8m. The pre-tax figure was after lower interest charges of £32.6m (£42.2m), but included higher associates share of £11.3m, against £4.8m last time.

After tax of £64.2m (£53.1m) earnings per 25p share were 47.8p (35.4p) basic and 45.3p (34.6p) fully diluted.

Minority interests took £3.6m (same) and preference payments £4.5m (same) and after extraordinary credits of £4m the attributable balance came through at £58.8m (£38.2m) compared with £36.2m for 1982-83 which was after debits of £25.6m.

During the year a gross cash flow of £417.6m (£388.2m) was generated and overall cash out-

flow was contained at £32.1m despite investment in rental equipment and other fixed assets of £342m (£325.8m). Net borrowings as at March 31 last were £314m (£291.9m) representing gearing of 49.2 per cent (48.3 per cent).

See Lex

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See Lex

Triplex continues to recover boosted by foundries turnaround

CONTINUING the recovery made at the midway stage by Triplex Foundries Group, results for the year to the end of March 1984 produced pre-tax profits of £776,000 against previous losses of £982,000.

At the halfway stage profits came to £334,000 (losses £751,000).

The results reflect a £1.29m turnaround to operating profits of £321,000 in the foundries division. Sales amounted to £11.2m.

Commenting on prospects for the group Mr Richardson, chairman, expects the full year will show continuing recovery.

Turnover was down from £30.56m to £28.17m. Mr Richardson says the foundries account for less than half of group sales, and less than half of operating profits. The directors therefore propose to change the company's name to Triplex.

A single nominal dividend of 0.5p has again been recommended. Earnings per share are shown as 8.2p (losses 12.3p). Tax took £11,000 (£19,000) and extraordinary costs were reduced from £4.46m to £343,000. The attributable level merged with a balance of £422,000 against a previous deficit of £5.47m. Dividends will absorb £48,000 (same).

See comment

gearing problem should be controllable, especially if further progress is made on better use of resources (such as cutting inventory and group spend). Meanwhile the remaining businesses should be able to continue their underlying growth, with engineering and building component companies providing the main thrust in future. At 34p, the shares are selling on a p/e ratio of just 3.6.

See comment

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DIVISIONAL PERFORMANCE BREAKDOWN

	1984	1983	Turnover	Profit	Turnover	Profit
	£m	£m	£m	£m	£m	£m
Consumer electricals	850.4	85.3	777.7	83.4		
Music	487.5	16.3	500.8	21.0		
Screen entertainment	111.4	9.2	109.9	74.5		
Electronics, information technology and engineering	703.1	32.2	661.9	28.0		
Domestic appliances	612.5	32.3	589.3	26.5		
Lighting	239.5	13.3	249.9	9.8		

quality, advanced technology televisions and videos. "In a changing market we remain confident about the opportunities that exist," Mr Laister states.

He points out that in those parts of the engineering division where it provides services or products primarily associated

with medium or heavy engineering, "we found little true recovery and our view is that until this sector does improve there will be no sustained growth in the industrial base of the national economy."

The chairman adds, however, that the group has strong operations in areas which have been far less affected by the recession.

Trading profits amounted to £49.1m, compared with £38.6m, which were subject to depreciation up from £236.2m to £260.8m. The pre-tax figure was after lower interest charges of £32.6m (£42.2m), but included higher associates share of £11.3m, against £4.8m last time.

After tax of £64.2m (£53.1m) earnings per 25p share were 47.8p (35.4p) basic and 45.3p (34.6p) fully diluted.

Minority interests took £3.6m (same) and preference payments £4.5m (same) and after extraordinary credits of £4m the attributable balance came through at £58.8m (£38.2m) compared with £36.2m for 1982-83 which was after debits of £25.6m.

During the year a gross cash flow of £417.6m (£388.2m) was generated and overall cash out-

Development programme costs hit Haslemere

PRE-TAX PROFITS of Haslemere Estates, the property development and investment group, fell to £5.83m in the year to end March 1984, against £7.06m in the previous 12 months. Rental revenue rose from £17.33m to £18.31m and a revaluation of investment properties resulted in an increase from £237.7m to £270.7m. Net asset value per share (diluted) was 615p against 578p.

The directors are proposing a final dividend of 6.61p (6p) making 8.7p (7.9p) for the year.

Mr David Pickford, chairman of Haslemere, said the decline in pre-tax profits was largely due to financing costs associated with the group's heavy current development programme. It had now completed Sherburne House in Cannon St, London, and Bury Court House, Bevis Marks but had not completed any lettings deals in the two properties. It is understood, however, that tenants for parts of the space are now in negotiations.

In addition, the company has another large office scheme in Cannon Street, a 110,000 sq ft offices and shops scheme at Richmond and numerous smaller development projects underway.

Despite the profits set-back, Haslemere is confident that its high-quality investment and development portfolio will assure sound asset growth over the next few years, even if profits come through unevenly. Haslemere shares fell 18p to 47p on news of the disappointing figures.

Birmid advances to £4.8m at halftime

PROFITS MORE than doubled from £2.01m to £4.76m before tax at foundry product manufacturer Birmid Qualeast in the 26 weeks to April 28 1984.

This result shows further substantial progress in the group as a whole, says Mr R. T. Macpherson, the chairman.

The largest divisional improvement has been in foundries, where in spite of severely restricted selling prices and increased raw material costs a profit was achieved.

Market share has been maintained in the group's consumer product divisions, in some cases within a reduced

dividends, the directors have declared a doubled interim payment of 0.66p. Last year's final payment was 2p.

Earnings per 25p share for the period are shown as 5.9p (2.9p). Profits were subject to tax of £900,000 (£122,000) and minorities took £9,000 (£1,000).

Attributable profits came out at £4.88m (£3.28m) including an extraordinary credit of £1.4m. The cost of dividends is £435,000 (£218,000).

Although interim profits from Birmid Qualeast leaned towards the top end of market estimates the accompanying statement held a sting in the tail. The second half could be £13m or so lower than the comparable period at the pre-tax line. That comes as something of a surprise, especially as the foundries business—the group's largest independent castings supplier to the motor trade—is back in profit after last year's £1m loss. However the company does face some obvious problems. Foundries burn coke and even if supplies are holding afloat Birmid could well be paying a lot more. The central heating business, Potterton, is probably, like its competitors, experiencing a small downturn and finally the parched earth of spring and early summer must have hit lawnmower sales again. Even taking those arguments on board the second half setback still looks a pretty poor prospect, especially as base rate rises are expected to do little to enhance consumer spending on central boilers later in the year. Yet assuming £10m for the year and a 20 per cent tax charge the p/e of 6 at 72p justifies holding on—bid speculation is in for nothing.

total which has resulted in increasingly competitive selling prices. Progress continues in the engineering division, says Mr Macpherson.

Group sales for the period amounted to £108m, against £88.5m, and operating profits emerged at £5.47m (£3.65m). The taxable result was struck after net interest payable of £87,000. In the last full year Birmid achieved a taxable profit of £3.9m on turnover of £175.8m.

Recognising the marked improvement in the currently reported profits and as a move towards correcting the disparity between interim and final

Compsort on to USM via tender offer

KLEINWORT, Benson is bringing Compsort, database software house, to the Unlisted Securities Market through the offer for sale by tender of 1.89m shares, around 25 per cent of the equity, at a minimum tender price of 120p per share, giving a £8.12m market value.

The chairman, Mr Nick Horgan, started the business in 1978 after developing his first database management software product for microcomputers. Mr Heather Kearsley, his wife, started actively marketing the product in 1980 through Compsort.

The move of Compsort into Europe will be through deals with leading manufacturers, presently including IBM and Xerox. The £449,000 raised for the company through the offer will be used mainly to finance the costs of support in Europe.

Turnover rose from £780,000 to £1.33m in the year to March 1984 and pre-tax profits from £345,000 to £543,000. At the minimum tender price of 120p per share, the shares will have a PE of 28.6 times and a yield

on an estimated dividend per share of 1.5p of 1.79 per cent.

Laurence, Frust are brokers

Development programme costs hit Haslemere

PRE-TAX PROFITS of Haslemere Estates, the property development and investment group, fell to £5.83m in the year to end March 1984, against £7.06m in the previous 12 months. Rental revenue rose from £17.33m to £18.31m and a revaluation of investment properties resulted in an increase from £237.7m to £270.7m. Net asset value per share (diluted) was 615p against 578p.

The directors are proposing a final dividend of 6.61p (6p) making 8.7p (7.9p) for the year.

Mr David Pickford, chairman of Haslemere, said the decline in pre-tax profits was largely due to financing costs associated with the group's heavy current development programme. It had now completed Sherburne House in Cannon St, London, and Bury Court House, Bevis Marks but had not completed any lettings deals in the two properties. It is understood, however, that tenants for parts of the space are now in negotiations.

In addition, the company has another large office scheme in Cannon Street, a 110,000 sq ft offices and shops scheme at Richmond and numerous smaller development projects underway.

Despite the profits set-back, Haslemere is confident that its high-quality investment and development portfolio will assure sound asset growth over the next few years, even if profits come through unevenly. Haslemere shares fell 18p to 47p on news of the disappointing figures.

Recognising the marked improvement in the currently reported profits and as a move towards correcting the disparity between interim and final

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 11th July 1984, and has issued to the Bank, an additional amount of £200 million of each of the Stocks listed below:

10 1/4 per cent EXCHEQUER STOCK, 1995

11 1/2 per cent TREASURY STOCK, 2001-2004

The price paid by the Bank on issue was in each case the market clearing price of the relevant Stock on 11th July 1984 as certified by the Government Broker. In each case, the amount issued on 11th July 1984 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Copies of the prospectuses for the Stocks listed above, dated 9th January 1978 and 18th May 1979 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 3AA.

Application has been made to the Council of the Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	Redemption date	Interest payment dates
10 1/4 per cent Exchequer Stock, 1995	21st July 1995	21st January, 21st July, 21st January, 21st July
11 1/2 per cent Treasury Stock, 2001-2004	19th March 2004, or on or at any time after 19th March 2001 subject to not less than three months' notice	19th March, 19th September

The further tranche of 11 1/2 per cent Treasury Stock, 2001-2004 will rank full six months' interest on 19th September 1984. Dealings in the further tranche of 10 1/4 per cent Exchequer Stock, 1995 for settlement prior to 21st July 1984 will, in common with the existing Stock, be effected on an ex-dividend basis.

BANK OF ENGLAND
LONDON
11th July 1984.

USS200,000,000 Guaranteed Floating Rate Notes
Repayable at the Option of the Holder at Par
Commencing October 1982.

Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)
Unconditionally Guaranteed by
CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 12 1/2 per annum and that the interest payable on the relevant Interest Payment Date, October 15, 1984, against Coupon No. 18 in respect of USS10,000 nominal of the Notes will be USS316.60.

By: Citibank, N.A. (CSSI Dept.), Agent Bank
July 13, 1984, London **CITIBANK**

The Lombard 14 Days Notice Deposit Rate is 11 1/4% per annum Minimum deposit £2,500	The Lombard Cheque Savings Rates are 10 3/4% per annum When the balance is £2,500 and over	8 3/4% per annum When the balance is £250 to £2,500
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Lombard North Central
17 Bruton St, London W1A 3DH.
For details phone
01-409 3434 Ext 484

Imperial Group INTERIM REPORT 1984

Group profit before tax for the six months ended 30th April, 1984 was £90.7 million (1983 £79.1 million). This represents a 15% increase over the first half of last year and was due to a combination of improved trading results and lower interest charges.

Imperial Brewing & Leisure Ltd, Imperial Foods Ltd, and Howard Johnson Company showed increased turnover. As for Imperial Tobacco Ltd, trade buying in October, 1983, ahead of manufacturers' price increases, resulted in lower volumes in November and affects the comparison between the two half-years.

Apart from improvements in trading, operating profit of the UK divisions continued to benefit from further cost saving programmes and from the re-organisation of production and distribution facilities over the last two years. In the USA, the Howard Johnson Company, under increasing pressure on margins, again made a loss in what is for them the low season of the year.

Substantial new investment programmes are being implemented in many parts of the Group, particularly in pubs, restaurants and hotels. Development of this kind inevitably has an impact on current profitability but will make a good contribution to Group performance in due course.

The reduced interest charge was largely the result of higher cash balances during the period, due in part to the receipt during 1983 of £20 million from the disposal of the Group's poultry business in the UK. Average interest rates were also down.

The overall rate of Corporation Tax is expected to be lower in 1984. As a result, Group profit after tax for the first half, at £65.0 million, shows an increase of 23% over the corresponding period in 1983.

Earnings per share, before and after tax, rose by 12% and 19% respectively. Barring major unforeseen circumstances, it is currently expected that Group profit before tax for the full year ending 31st October, 1984 will show a rate of progress approaching that achieved during the first six months.

The Directors have decided to declare an interim dividend of 3.0 pence per share, as against 2.75 pence per share last year. This will absorb £22.4 million (1983 £19.9 million). Warrants will be dated 1st November, 1984 and will be posted to those shareholders who are registered in the books of the Company at the close of business on 3rd October, 1984.

By order of the Board
Peter M Davies
Group Secretary

12th July, 1984



Mr Peter Laister, chairman and chief executive of Thorn EMI

flow was contained at £32.1m despite investment in rental equipment and other fixed assets of £342m (£325.8m). Net borrowings as at March 31 last were £314m (£291.9m) representing gearing of 49.2 per cent (48.3 per cent).

See Lex

gearing problem should be controllable, especially if further progress is made on better use of resources (such as cutting inventory and group spend). Meanwhile the remaining businesses should be able to continue their underlying growth, with engineering and building component companies providing the main thrust in future. At 34p, the shares are selling on a p/e ratio of just 3.6.

See comment

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See comment

BANK RETURN

Wednesday July 11 1984 Increase (+) or Decrease (-) for week

BIDS AND DEALS

MINING NEWS

Sun/Phoenix merger revives insurance sector speculation

BY ERIC SHORT

MARKET ANALYSTS were yesterday busy calculating the implications of the announcement late on Wednesday evening of a merger between the two major composite insurance groups, Sun Alliance and Phoenix Assurance.

The 650p a share cash offer by Sun Alliance for Phoenix, which values the group at \$386.6m, will result in earnings diluted for Sun Alliance shareholders of around 10 per cent on 1984 projected earnings.

On total assets, the valuable life business of Phoenix tips the scales the other way, so that Sun Alliance shareholders gain slightly. The dividend position is not likely to be affected at least for 1984.

This means that there is not much scope for Sun Alliance to increase its offer should a counter bidder appear. But the market apparently does not consider that a rival offer is very likely.

At any rate, the sale by the U.S. insurance group Continental Corporation of its 24.3 per cent holding in Phoenix for £86.5m was unconditional, something that Continental's shareholders may criticise if the bid price is lifted.

Secondly, it appears that Allianz Versicherung, West Germany's largest insurance group, is not directly interested in the UK market at present. The company itself entertains its employees on the day after its annual general meeting, which was

MAI to link with Japanese broker

By Alexander Nicoll

MAI & Allen International is linking its extensive money-broking interests with those of Ueda Tanshi, a leading Japanese discount house and money broker. MAI hopes to benefit from the expected liberalisation of Japanese financial markets.

"We believe that Tokyo will develop into a fully-fledged international market and take its place alongside London and New York," said Mr Clive Hollick, MAI managing director.

Under an agreement in principle, MAI will have a 26 per cent interest in Ueda Harlow, a newly formed Tokyo company which will acquire Ueda's foreign exchange and currency deposit broking business. Ueda will keep separate its business as a discount house.

In London, a new company will be formed—Harlow Ueda Savage—to acquire Harlow, Butler Savage, an MAI London-based foreign exchange broking subsidiary. Ueda will take a 5 per cent stake in the new company.

The two transactions will result in a net cash investment by MAI of £3.5m to £4m.

MAI's extensive money-broking interests also include Harlow Meyer Savage, a eurodollar deposit broker, and the Guy Butler Group which has a large presence in the U.S. The Ueda group will have exclusive correspondent relationships with MAI subsidiaries worldwide.

Mr Hollick said the new link would provide the MAI network with 24-hour coverage of money markets.

W. H. Smith takes stake in Yorkshire Television

BY RAY MAUGHAN

W. H. SMITH & SON (Holdings), the newsagent and bookseller, has acquired Trident Television's residual 29.38 per cent stake in Yorkshire Television, thereby postponing Yorkshire's own advanced plans to float on the Unlisted Securities Market, probably until next year.

Trident, which now controls a 18.7 per cent holding in Yorkshire, was bought by Type-Tees Television, is to receive £8.5m for its Yorkshire stake, which Smith will pay in loan notes repayable on October 1, 1988. The coupon will be 12.5 per cent in the first three years and 10 per cent thereafter.

The vendor has been building up his interests in casinos since January 1981 when ordered by the Independent Broadcast-

ing Authority to reduce its television interests as the Type-Tees and Yorkshire television franchises were separated.

Yorkshire contributed £1.4m, on an associated company basis, to Trident's pre-tax profits of £10.3m in the year to September 1983 and the sale yields a £2.5m post tax surplus on the £4m book value of the stake.

Yorkshire's net worth at the end of last September was £56m which has subsequently been raised by a £3m subscription of additional capital. The television company's other principal shareholders are Bass, the brewing and leisure group, Pearson Longman, the publisher, which each have 25 per cent and the Yorkshire Post which controls 10 per cent.

The sale has been approved by the IBA and the board of Yorkshire.

W. H. Smith said yesterday that it had been in the communications business for almost 200 years and the acquisition would provide "an important presence in the modern communications world."

The float was expected to value Yorkshire at some £20m compared with the capitalisation of over £23m implied by W. H. Smith's purchase price.

W. H. Smith has diversified from newspaper in wholesale and retail and book distribution into home computers, where it is now the largest retailer in the UK, business computer software, DIY, and is now breaking into cable television.

Anglo's gold price alchemy

BY KENNETH MARSTON, MINING EDITOR

SHAREHOLDERS in South Africa's Anglo American Corporation mining, finance and industrial giant can thank the group's gold interests for their 8.1 per cent increase in dividend for the year to last March. And gold is still serving them well despite the fall in the dollar price of the metal.

Mr Gavin Kelly, the Anglo chairman, points out in his annual statement that the past year's rise in attributable profits reflected an increase in investment income of R46.6m to R494.8m (£253.3m) which was mainly attributable to higher dividends received from the group's gold interests.

The average U.S. price of gold last year increased by 12.7 per cent to \$426 per ounce. But because of the fall in the South African rand against the dollar (or, if you prefer, the rise in the dollar against the rand) the average price in the lower value rand was \$41 per cent to R474 per ounce.

This exchange rate alchemy of turning a falling dollar price, in which gold sold in the highest revenue for the South African mines continues.

Mr Kelly notes that in the first half of this year the fall in the U.S. gold price to an average of \$381 has been offset as far as the South African mines are concerned by a widening of the exchange rate difference so that the rand price received has averaged R479, slightly more than the 1983 average.

Weakness continues in both the value of the rand and in the U.S. gold price. In London yesterday gold was around \$390, not much above its recent two-year low, whereas the rand equivalent had moved up to just over R500.

During the past year Anglo's gold mines reduced the rate of increase in their costs per tonne of ore milled to 8.2 per cent from 14.6 per cent in the previous 12 months, but it looks as if the rate will rise this year.

Mr Kelly points out that following the increase in standard wage rates for the white miners of 10 per cent from May 1, the black employees were given a rise of around 14 per cent on July 1 pending the outcome of the current dispute with the black unions.

He says that although some gold mining capital projects have had to be deferred, notably the No 2 main shaft at Western Holdings, the group still expects this year's total capital expenditure to rise by about R100m to approximately R740m.

Meanwhile, the outlook for Anglo's many other interests remains rather cloudy. "The unpalatable fact is that prospects for sustained growth in the western economies are still subject to considerable uncertainty and it seems that we shall have to adjust to lower rates of growth than have been enjoyed generally since the war," says Mr Kelly.

Hadland agrees to £4.6m bid from Xenotron

By Alexander Nicoll

HADLAND Holdings, camera and graphic arts equipment group, has agreed to a £4.6m bid from Xenotron, privately-held maker of computer-based equipment for the printing industry.

Terms are 145p in cash for each Hadland share or one Xenotron redeemable share for every 20 Hadland shares, which closed yesterday at the cash bid price, up 5p.

Hadland directors, who hold 63.2 per cent of the Hemel Hempstead-based company, have chosen to accept Xenotron shares and four of them will join the Xenotron board. Holders of a further 18.5 per cent have also given irrevocable undertakings to accept Hadland 81.7 per cent of Xenotron.

Xenotron, based in Diss, Norfolk, plans to seek a listing for its shares "at an appropriate time" and also plans soon to raise £5m of equity finance through a private placement.

Xenotron has 200 employees and made a profit of £80,000 in 1983 on turnover of £8m.

Hadland also reported figures for the six months ending April 30, showing pre-tax profits of £88,000, up from £21,000, on turnover of £3.66m (£2.50m). Tax took £35,000 (£11,000), leaving £53,000 (£10,000) attributable. It forecast pre-tax profits for its year ending October 31 at not less than £475,000.

Asian hoteliers to submit Rowton board nominees

BY CHARLES BATCHELOR

ROWTON HOTELS yesterday patched up its boardroom split and announced plans to invite the two Asian hoteliers who have built up sizable minority holdings in its equity to nominate four directors to its expanded nine-man board.

Two days of talks between Rowton and Mr Mardin Jivraj, whose Rushlake Investments holds 28.8 per cent of Rowton's equity, led to agreement just minutes before yesterday's shareholders meeting.

At a board meeting immediately afterwards Mr Jivraj, Mr Shiraz Malik-Noor and Mr Robert Christensen were appointed to the Rowton board to represent Rushlake.

Mr Nazim Virani, who now controls 17.6 per cent of Rowton, will also be invited to appoint a representative to the board replacing one of the existing directors, Mr David Hardy, Rowton chairman, said.

Mr Freddie Stirling and Mr Roland Rowe, two directors of the Greatham House investment trust, agreed to step down from the board.

At a bad-tempered two-hour meeting yesterday the Rowton board was criticised by shareholders for its management performance. All board resolutions were carried however.

Rowton's shares were unchanged at 312p yesterday.

Booker sees 'substantial increase' in 1984 profits

Booker McConnell, the supermarket and food distribution giant, has forecast a substantial increase in profits for 1984.

Booker announced yesterday that profits from its agricultural division which have increased at a compound annual rate of over 40 per cent since 1980 will show momentum in 1984.

The group also announced it will offer to buy its preference shares at 75p each, representing an exit yield of 8 per cent, compared to Dees Corporation's offer in June of 70p per share, representing an exit yield of 8.6 per cent.

Booker's ordinary shares fell 2p yesterday to 158p.

Foundation taking advice on its Wm. Leech stake

BY RAY MAUGHAN

THE WILLIAM Leech Foundation, which speaks for a pivotal 29.7 per cent stake in William Leech, the Newcastle-based housebuilding company, is taking independent advice on the £21.45m bid from C. H. Beazer (Holdings).

The board of the building company is still resisting Beazer's approach but the Foundation's appointment of Morgan Grenfell, the merchant bank which advised the Foundation when William Leech was floated seven years ago, means that a key block of votes remains undecided after a full meeting on Wednesday this week.

Mr William Leech, the founder of the company who donated the

Weaker prices lead to lower quarter for Noranda

WITH PRICES for a number of products starting to weaken considerably from March, Canada's Noranda natural resources group recorded lower profits in the second quarter than in the first three months of the year, although the latest figures were well above the depressed levels of a year ago.

Net profits for the latest three months were C\$18.4m (£11.1m), which compares with the first quarter level of C\$28.8m and C\$9.2m in the second quarter of 1983.

The first half of 1984 to C\$43.2m, compared with C\$1.9m at the same stage of last year.

Noranda said yesterday that while earnings to date represented a considerable improvement over last year, the results in the most recent quarter were disappointing in relation to previous expectations for the second quarter of the year.

The most important products to weaken in price after the close of the first quarter were copper, aluminium and lumber, and prices remained well below the

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Over-the-Counter Market

1983-84	Company	Price Change	Gross Yield	P/E	Fully Paid
152	120 Ass. Brit. Ind. Ord.	138	6.4	4.6	8.0
158	117 Ass. Brit. Ind. CULS.	144	10.0	8.9	7.5
78	85 Airwing Group	56	6.1	6.1	7.5
38	88 Armitage & Rhodes	35	1.4	4.0	—
330	141 Bardoll Hill	318	8.5	2.7	12.8
56	79 Bay Technology	48	3.5	7.4	5.8
201	180 CCL Ordinary	190	12.0	6.3	—
182	121 CCL 11pc Conv. Pref.	136	2	15.7	11.5
521	100 Carborundum Abrasives	528	—	—	—
249	100 Cardico Group	103	—	—	—
68	48 Deborah Services	68	6.0	9.0	35.3
228	78 Frank Horsell	228	—	—	—
205	75 Frank Horsell Pr.Ord.87	202	+ 1	8.7	4.3
69	25 Frederick Parker	25	4.3	17.2	—
38	46 Ind. Precision Castings	38	—	—	—
218	2180 Isis Ord.	2175	7.3	15.9	12.7
365	134 Isis Conv. Pref.	325	2	18.7	8.9
174	61 Jackson Group	108	4.9	4.5	6.0
255	165 James Burroughs	252	- 23	12.7	6.0
82	82 James Burroughs Sp. Pr.	82	—	—	—
145	100 Linguaphone Ord.	145	—	—	—
26	17 Lincok Holdings	26	15.0	15.1	—
425	275 Minhouse Holding NV	420	3.8	0.9	30.2
170	73 Robert Jenkins	73	2	20.0	27.3
74	49 Servotronics	74	5	11.8	25.8
120	61 Torday & Carlisle	78	—	—	—
444	388 Trevelin Holdings	433	—	—	—
26	17 Unilock Holdings	26	1.0	5.0	11.0
62	85 Walter Alexander	62	6.8	8.3	5.3
276	236 W. S. Yeates	245	17.1	7.0	5.8

Midsummer flights bid

BY ALEXANDER NICOLL

MR ADAM PAGE, chairman and joint owner of Swithland Leisure, yesterday sought to convince shareholders of Midsummer Inns that his company is a worthy buyer of its real estate pubs.

Swithland is bidding 215p in cash for each Midsummer share, valuing the USM company at £1.85m. Midsummer, an offshoot of the Campaign for Real Ale movement, says the bid undervalues its assets and fails to reflect its forecast earnings. It also says the owners of Swithland have experience at the "trendy extreme," running discotheques and "fun pubs."

In a letter to Midsummer shareholders, Mr Page says: "We intend to preserve Midsummer's long standing specialisation in real estate and we are far better qualified to run traditional pubs than the present Midsummer board."

Mr Page says Midsummer lacks direction and has provided a "deorsory" yield to shareholders.

Public Works Loan Board rates

Effective July 11

Years	Quota loans repaid		Non-quota loans A* repaid	
	by EIPPI	As maturity	by EIPPI	As maturity
Three	111	12	123	123
Over 3, up to 4	124	124	124	124
Over 4, up to 5	124	124	124	124
Over 5, up to 6	124	124	124	124
Over 6, up to 7	124	124	124	124
Over 7, up to 8	124	124	124	124
Over 8, up to 9	124	124	124	124
Over 9, up to 10	124	124	124	124
Over 10, up to 11	124	124	124	124
Over 11, up to 12	124	124	124	124
Over 12, up to 13	124	124	124	124
Over 13, up to 14	124	124	124	124
Over 14, up to 15	124	124	124	124
Over 15, up to 16	124	124	124	124
Over 16, up to 17	124	124	124	124
Over 17, up to 18	124	124	124	124
Over 18, up to 19	124	124	124	124
Over 19, up to 20	124	124	124	124
Over 20	124	124	124	124

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

New Issues July 12, 1984

Federal Farm Credit Banks Consolidated Systemwide Bonds

13.20% \$433,000,000
SERIES K-1987
CUSIP NO. 313311 MG 4 DUE JANUARY 20, 1987
Interest on the above issue payable January 20, 1985, and semiannually thereafter.

13.70% \$824,000,000
SERIES G-1989
CUSIP NO. 313311 LX 8 DUE JULY 20, 1989
Interest on the above issue payable January 20, 1985, and semiannually thereafter.

13.75% \$325,000,000
SERIES B-1992
CUSIP NO. 313311 MH 2 DUE JULY 20, 1992
Interest on the above issue payable January 20, 1985, and semiannually thereafter.

Dated July 23, 1984 Price 100%
The Bonds are the secured joint and several obligations of The Thirty-seven Federal Farm Credit Banks and are issued under the authority of the Farm Credit Act of 1971. The Bonds are not Government obligations and are not guaranteed by the Government.
Bonds are Available in Book-Entry Form Only.

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Peter J. Carney President
This announcement appears as a matter of record only.

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LADBROKE INDEX
Based on FT Index
765-769 (-11)
Tel: 01-493 5261



our Balance sheet for 1983

comparative figures December 31, 1982

Balance sheet total	DM 1,055.4 million	DM 1,026.1 million
Lending volume	DM 1,043.2 million	DM 1,105.9 million
Business volume	DM 1,142.8 million	DM 1,166.4 million
Reserves and capital	DM 66.4 million	DM 36.3 million

Our report for the tenth fiscal year is available upon request.

LHB Internationale Handelsbank Aktiengesellschaft
Goethestrasse 19, D-6000 Frankfurt am Main

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UK COMPANY NEWS

Crown House rises 35% to £5.2m

A RETURN to profits in tableware operations enabled Crown House to achieve an overall 35 per cent advance in full-year taxable profits from £3.83m to £5.16m.

This turnaround offset a £166,000 fall to £3.49m in electrical and mechanical services and losses of £12,000, against profits of £312,000, in property and finance. Employment services contributed more at £278,000 (£140,000).

The improvement in the tableware division followed the rationalisation at Denby in 1982 and subsequent restructuring.

In engineering services, the excellent figures from UK contracting in 1983-84 were not maintained, though in the competitive conditions prevailing the result is considered satisfactory by the directors.

Good figures were again recorded in the Arabian Gulf, and some progress was seen in South Africa. The run-down of contracting operations in Western Australia, as announced last year, was completed by March 1984. Full provision for closure costs is included in crown's extraordinary items, of £32,000 (£346,000).

A marked improvement in profits was achieved by W. J.

Furse and Zest Equipment mainly as a result of increased export business, and the divisional figures were much assisted by the disposal of Best and May in September 1983.

Also, a better result was obtained in employment services due to an improving market.

Group sales for the year fell by 4 per cent from £184.12m to £177.14m.

Shareholders are set to receive a higher total payout of 6.4p, against 5.75p, with the directors recommending an increase on the final dividend to 3.5p (3.5p).

Stated earnings per share rose to 13.2p (10.9p) and cover the dividend 4.1 (1.9) times.

The taxable result was struck after lower interest payable of £113,000 (£761,000). Tax took

£1.75m (£1.06m) and minority interests accounted for £432,000 (£319,000).

Looking ahead, the directors saw that in engineering contracting, it is a continuing problem to maintain an adequate order book in the UK at satisfactory margins. However, they are con-

duction of new ranges. More importantly, Crown is beginning to cash in on the Denby name—applying it to imported china and glass—shifting the emphasis from manufacturing to merchandising which already accounts for about 60 per cent of this division's sales. The group will need increased contributions from tableware since the main electrical and mechanical services business, which installs heating and the like in buildings, has a difficult time ahead with orders scarce home and abroad, margins already down to 21 per cent and the prospect of a further squeeze in UK construction prompted by increased interest rates. The group must be glad of the £7m cash it has in hand, largely the proceeds of the disposal in September of the Best and May electrical wholesaler, which was bought into in 1980. Crown is keen to expand by increasing tableware sales in the U.S. and developing an instrument-making capacity in the building-related business, but for the moment it must be happy to see its money earn interest. The group should make £5.5m pre-tax in the current year, putting the shares at 107p, down 3p, a prospective p/e of over seven on a 35 per cent tax charge.

DIVISIONAL PERFORMANCE BREAKDOWN

	— Turnover —		— Pre-tax profit —	
	1983-84	1982-83	1983-84	1982-83
	(£m)	(£m)	(£m)	(£m)
Electrical and mechanical ...	131.7	141.1	3.5	3.7
Tableware ...	42.9	49.0	1.5	0.3†
Property and finance ...	0.1	0.6	0.1†	0.3
Employment services ...	2.4	2.3	0.3	0.1

† Loss.

Ratners back in the black as margins strengthen

A RETURN to pre-tax profits of £10.7m against losses of £395,000 was achieved by Ratners (Jewellers) in the year to April 6 1983, following a noticeable improvement in margins. Turnover increased from £25.94m to £27.41m.

Trading continues at a satisfactory level during the current period, says Mr L. M. Ratner, the chairman. However he emphasises once again that the major part of sales and profits are achieved in the second half.

At the halfway stage losses were cut from £1.1m to £373,000 and the directors expected a realistic profit to be achieved for the year, with a greater contribution arising in the second half.

During the period under

review margins were improved by placing greater emphasis on merchandise which showed a better return and by eliminating less profitable elements from stock.

During the year four branches were opened in shopping centres at Brent Cross, Ealing Broadway, Inverness and Wakefield. The net final dividend has been held at 1.85p which maintains the total at 2.3p. Earnings per 10p share are shown as 2.56p against losses of 1.48p.

Tax took £207,000 (£283,000) and there were extraordinary credits of £33,000 (£108,000) including property profits this time of £281,000.

The profit for the year emerged at £843,000 (loss £325,000)

Consumer spending rise boosts Stirling result

AN UPTURN in consumer spending helped raise Stirling Group's pretax profits for the year to March 31, 1984 by 20 per cent from £1.56m to £1.8m, and current trading "remains firm," the directors say.

Marks and Spencer, this garment manufacturer's chief customer, contributed to the result by increasing its purchases by over 10 per cent, responding to Stirling's fashion design and production strategy.

The board is proposing a final dividend of 1.1p (0.75p), giving a total for the year at 1.80p, against 1.25p last time. This is in line with the directors' intention of reducing high dividend cover. They also propose a 3-for-2 scrip.

Sales for the year improved by £1.6m to £17.33m. Total tax, including deferred tax of £262,000 (£236,000), took £322,000 (£244,000), and the group profit after tax and dividends emerged at £754,000 (£556,000).

Earnings per 20p share after current and deferred tax were given as 14.88p against 11.18p last time.

The directors attribute the improvement in margins to increased efficiency and raw material price stability.

A new factory has been opened and handling systems improved. Cutting has been centralised and computer cutting introduced. The directors point out that the year's results have been achieved without an increase in borrowing.

APPOINTMENTS

British Aerospace finance post

Mr Richard Smith Wright has been appointed financial director of the aircraft group of BRITISH AEROSPACE. He succeeds Mr R. E. Sawyer, who has retired.

Mr Smith Wright, who will be based at group headquarters at Kingston, was formerly divisional financial director of the group's civil division at Hatfield.

Mr M. O'Connell has been promoted to deputy general manager of the DAIWA BANK, London branch, with overall responsibility for the bank's international banking activities. Mr A. O'Connell has been appointed senior assistant manager at the London branch. Mr O'Connell was senior assistant manager of the inter-

national planning division in Tokyo.

Mr Gerard Lamers of The Dutch Dairy Bureau in London, has been appointed vice-chairman of the BUTTER INFORMATION COUNCIL, following the retirement of Mr Alan Boardman of Adams Foods.

SENTRY INSURANCE, part of the Sentry Group, has restructured its management team: Mr Val Olson, previously president of Creative Management Alternatives Inc, Sentry USA, joins as chief executive and deputy chairman. Mr Roy Barley is appointed director and general manager (insurance operations) and Mr John Brazier director

and general manager (non-insurance operations). The newly created post of head of marketing is filled by Mr Philip Haynes who was previously marketing director for Citibank's UK subsidiary, Citibank Savings. Mr George Lowe is appointed general manager (casualty).

Air Commodore Bobby Robison has been appointed director of public relations (Royal Air Force) from July 20. He succeeds Air Commodore Philip Walker who has had to retire through ill-health.


KLP GROUP has made the following appointments to the board of Lloyd Ellerton, the group's sales promotion service company:

Mr Michael Price, managing director, has been appointed chairman, while Mr Patrick Laventon becomes managing director, from sales director. Mr Guy Jackson is appointed a director, with increased sales administration and business growth responsibilities. Mr Eric Wainwright (production) and Mr Chris Silling (creative group) have also been appointed.

Mr Richard Gooding will succeed Mr Dan Brewin as MANAGER INTERNATIONAL, AIRPORTS director of operations on July 10. Mr Gooding has been employed by the Airport Authority as head of ramp and terminal services since September 1981. Mr Brewin is joining British Caledonian as general manager sales, UK, appointed director.

This advertisement is an amendment of the version published on 12th July 1984.

This advertisement complies with the requirements of the Council of The Stock Exchange



The Tokyo Electric Power Company, Incorporated
(Tokyo Denryoku Kaisha, Ltd.)

U.S. \$100,000,000
13 3/8 per cent. Notes 1989
Issue price 100%

The following have agreed to subscribe or procure subscribers for the Notes:


County Bank Limited	Banque Paribas
Aigsaene Bank Nederland N.V.	Nomura International Limited
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft	Manufacturers Hanover Limited
HSJ International Limited	Mitsui Finance International Limited
Merrill Lynch International & Co.	Morgan Stanley International
Morgan Guaranty Ltd	S. G. Warburg & Co. Ltd.
Orion Royal Bank Limited	Yamaichi International (Europe) Limited
Westdeutsche Landesbank Girozentrale	

The Notes, in denominations of US\$5,000, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of a temporary Global Note. Interest on the Notes is payable annually in arrears on 31st July, commencing 31st July 1985.

Particulars of The Tokyo Electric Power Company, Incorporated and the Notes are available in the Extel Statistical Service system and may be obtained during usual business hours up to and including 1st August, 1984 from:—

County Bank Limited 11 Old Broad Street, London EC2N 1BB.	Strauss Turnbull & Co. 3 Moorgate Place, London EC2R 6HR.
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13 July 1984




Co-op Bank
announces a change
in base rate from
10.00% to 12.00% p.a.
On and after Friday 13th July 1984.

Deposit rates will become:
7 day deposits 8.75% p.a.
1 month deposits 9.50% p.a.

High Interest Investment Accounts
will range from:
10.00% to 11.25% p.a.
depending on amount and term
(minimum £500 and 6 months).

Co-op Bank Cheque & Save:
Current notional interest rate will be 9.00%
Current bonus notional interest rate
will be 1.50%
(on amounts beyond £1,000)



National Girobank

National Girobank announces
that with effect from
12th July 1984


Base Rate
Its base rate was increased
from 10% to 12%

Deposit Accounts
The rate of interest
payable on deposit accounts
is 9% per annum.

10 Milk Street LONDON EC2V 8JH

BASE LENDING RATES

A.B.N. Bank	12 1/2%	Hill Samuel	12 1/2%
Allied Irish Bank	12 1/2%	C. Heare & Co.	12 1/2%
Amro Bank	12 1/2%	Hongkong & Shanghai	12 1/2%
Henry Ansbacher	12 1/2%	Kingsnorth Trust Ltd.	12 1/2%
Armed Trust Limited	12 1/2%	Knowles & Co. Ltd.	12 1/2%
Associates Cap. Corp.	10 1/2%	Lloyds Bank	12 1/2%
Banco de Bilbao	12 1/2%	Mallinhal Limited	12 1/2%
Bank Hapoalim BM	12 1/2%	Edward Manson & Co.	12 1/2%
BCCI	12 1/2%	Meghraj and Sons Ltd.	12 1/2%
Bank of Ireland	12 1/2%	Midland Bank	12 1/2%
Bank of Cyprus	12 1/2%	Morgan Grenfell	12 1/2%
Bank of India	12 1/2%	National Bk. of Kuwait	12 1/2%
Bank of Scotland	12 1/2%	National Girobank	12 1/2%
Banque Beige Ltd.	12 1/2%	National Westminster	12 1/2%
Barclays Bank	12 1/2%	Norwich Gen. Trst.	12 1/2%
Beneficial Trust Ltd.	12 1/2%	People's Trst. & Sv. Ltd.	12 1/2%
Brenmar Holdings Ltd.	12 1/2%	P. S. Refson & Co.	12 1/2%
Brit. Bank of Mid. East	12 1/2%	Roxburgh Guarantee	12 1/2%
Brown Shipley	12 1/2%	Royal Trust Co. Canada	10 1/2%
CL Bank Nederland	12 1/2%	Henry Schroder Wagg.	12 1/2%
Canada Permut Trust	12 1/2%	Standard Chartered	12 1/2%
Cayzer Ltd.	12 1/2%	Trade Dev. Bank	12 1/2%
Cedar Holdings	12 1/2%	TCS	12 1/2%
Charterhouse Japhet	12 1/2%	Trustee Savings Bank	12 1/2%
Chunarians	12 1/2%	United Bank of Kuwait	12 1/2%
Citibank NA	12 1/2%	United Mirrabank	12 1/2%
Citibank Savings	12 1/2%	Volkskas Limited	12 1/2%
Clydesdale Bank	12 1/2%	Westpac Banking Corp.	12 1/2%
C. E. Coates & Co. Ltd.	12 1/2%	Whiteaway Laidlaw	12 1/2%
Comm. Bk. N. East	12 1/2%	Williams & Glyn's	12 1/2%
Consolidated Credits	12 1/2%	Winftrust Secs. Ltd.	12 1/2%
Co-operative Bank	12 1/2%	Yorkshire Bank	12 1/2%
The Cyprus Popular Bk.	12 1/2%	Member of the Accepting Houses Committee	
Dunbar & Co. Ltd.	12 1/2%	7 day deposits 8.75% 1-month 9.50% 3-month 10.00% 6-month 10.50% 12-month 11.00%	
E. T. Trust	12 1/2%	17 day deposits on sums of under £10,000 8.75% £10,000 up to £20,000 9.50% £20,000 and over 10.75%	
Exeter Trust Ltd.	12 1/2%	Call deposits £1,000 and over 8.75%	
First Nat. Secs. Ltd.	12 1/2%	21 day deposits over £1,000 9.50%	
Robert Fleming Co.	12 1/2%	1 month deposits 8.75%	
Robert Fraser	12 1/2%	2 month deposits 9.00%	
Grindlays Bank	12 1/2%	3 month deposits 9.25%	
Guinness Mahor	12 1/2%	4 month deposits 9.50%	
Hambros Bank	12 1/2%	5 month deposits 9.75%	
Heritable & Gen. Trust	12 1/2%	6 month deposits 10.00%	




State Bank of India

State Bank of India announces
that its base rate
is increased from
10% to 12% per annum
with effect from
July 12th 1984

The rate of interest payable
on 7 day ordinary deposits
is increased from
6 1/2% to 8 1/4% per annum

Main Office in the U.K.
State Bank House, 1 Milk Street, London EC2



BfG Finance Company B.V.

U.S. \$100,000,000 Floating Rate Notes 1989
Extendible at the Noteholder's Option to 1994

Notice is hereby given
pursuant to the Terms and Conditions of the Notes that
for the six months from
13th July 1984 to 14th January 1985
the Notes will carry an interest rate of 13 3/8 per annum.
On 14th January 1985 interest of U.S. \$67.45 will be
due per U.S. \$1,000 Note for Coupon No. 12.

Agent Bank:
European Banking Company Limited

13th July, 1984

REPUBLIC OF AUSTRIA
U.S. \$50,000,000 8 3/4% Bonds 1990


S. G. WARBURG & CO. LTD., announce that the eighth
redemption instalment of Bonds due 15th August, 1984
for a nominal value of U.S. \$1,000,000 has been met by
purchases in the market.

U.S. \$34,000,000 nominal amount of Bonds will remain
outstanding after 15th August, 1984.

The following Bonds drawn for redemption on the
dates stated below have not as yet been presented for
payment:—

15th August, 1977	26255 : 32900
15th August, 1978	1710
15th August, 1981	1692 : 3391 : 37646

33, King William Street,
London EC4R 9AS. 13th July, 1984




The Siam Commercial Bank, Ltd.
London Branch

U.S. \$20,000,000
Negotiable Floating Rate Certificates of Deposit due 1985.

In accordance with the provisions of the above Certificates, notice is
hereby given that for the 6 months from 11th July, 1984 to 11th January,
1985 (184 days), the Certificates will carry an interest rate of 13 3/8 per
annum.

The interest payable on the next interest payment date, 11th January,
1985 in respect of each U.S. \$500,000 Certificate, will be U.S. \$33,701.39.

Agent Bank:
Lloyds Bank International



BANQUE DE L'INDOCHINE ET DE SUEZ
US\$40,000,000 Floating Rate Notes 1979-1989

For the six months
13th July, 1984 to 14th January, 1985
the Notes will carry an interest rate of 13 3/8 per annum and
Coupon Amount of US\$67.77.

Listed on the Luxembourg Stock Exchange
By: Bankers Trust Company, London
Reference Agent

iberpistas
Iberica de autopistas, s.a. concessionaria del estado

**U.S. \$18,000,000 Serial Floating Rate
Mortgage Notes Due 1986**

For the six month period 13th July, 1984 to 14th January, 1985
the Notes will bear an interest rate of 13 3/8 per annum and a coupon
amount of U.S. \$527.54 payable on 14th January, 1985.

Bankers Trust Company, London
Principal Paying Agent


RENTALS
every
WEDNESDAY
or
SATURDAY

To advertise phone:
01-243 5284
DLANE STEWARD

Notice to noteholders of
**THE COPENHAGEN COUNTY
AUTHORITY**
US\$25,000,000 9% Dollar Notes
1990

As Fiscal Agent for the above Issue,
notice is hereby given that on 25th
July, 1984, US\$1,750,000 of the
Notes will be drawn for redemption
at their principal amount and
payable on 1st September 1984.
Serial numbers of the Notes so
selected will be published
subsequently.

Bankers Trust Company,
Fiscal Agent
13th July, 1984



BANQUE SUDAMERIS
**U.S. \$30,000,000 Floating Rate
Notes due 1987**

For the six month period
13th July, 1984 to 14th January, 1985
The Notes will bear an
interest rate of 13 3/8 per annum.
Interest payable on 14th January, 1985.

Bankers Trust Company, London

MANAGEMENT

A German in Brazil

Lure of the good life

Andrew Whitley contributes the fourth in an occasional series

AT THE age of 40 Hans-Rainer Sommer has reached a crossroads all too familiar to many other expatriate high-fliers. Should he stay abroad in the exuberant, easy-going country where he is happily settled, or should he accept the promotion that is his due and go back to head office in West Germany?

After a decade abroad, seven of those years in Brazil and three in Iran—during the heyday of the Shah—he finds it hard to imagine being back to grey, drizzly Frankfurt am Main.

Personal considerations inevitably intervene in the Sommer's decision over where he should go next professionally. His Danish wife, Birgit, 38, was brought up in Brazil and still has relatives in Sao Paulo, 50 minutes flying time or a six-hour drive away. The weekends they and their two daughters, 12 and 9, spend riding at their relatives' ranch in the rolling green hills of Sao Paulo State would be hard to leave behind.

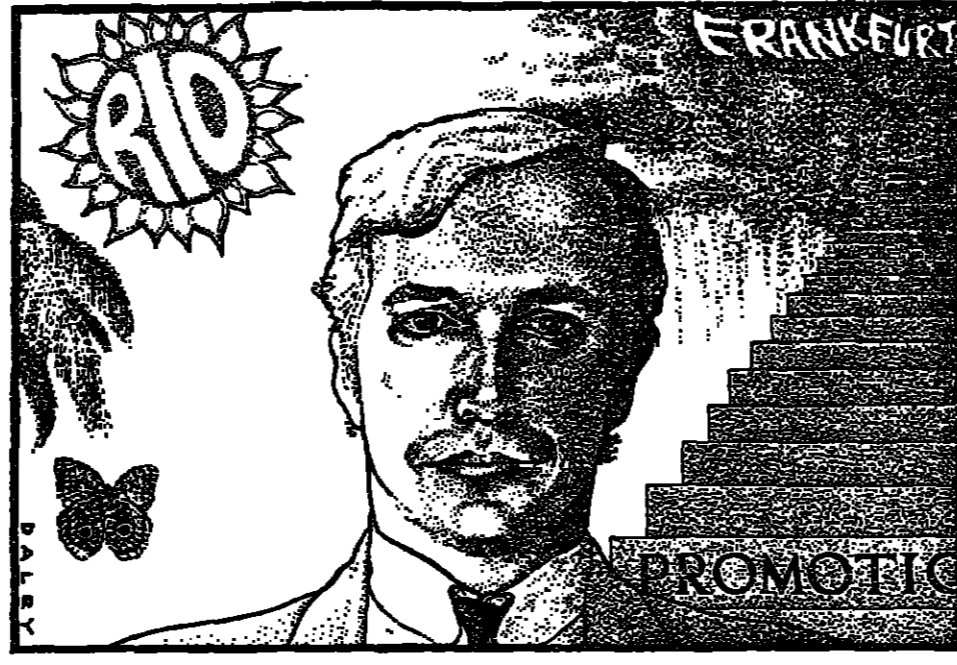
So too would the six-berth boat they share with a German colleague. The boat is moored an hour's drive out of Rio de Janeiro on the spectacularly beautiful Angra dos Reis bay. The fact that Birgit was already familiar with the country, spoke Portuguese—a very necessary skill for survival here—and, as Rainer says, was used to the Brazilian mentality, made settling in originally an easy process. Rainer Sommer emphasises the importance of the family's adjustment to a new country when weighing up the pros and cons of a job move.

Since then, through no fault of his own, there has been a fairly steady slide downhill. The industry is going through a painful shrinking process worldwide, and in Brazil business has virtually dried up. The struggle now is to keep open the Rio branch as a representative office over the next two or three expected lean years, until the recession and IMF-hit Brazilian economy is back on its feet again.

For a man like Sommer, with his two doctorates in Mechanical Engineering and Economics, Lurgi's record in South America must be galling. It is small comfort to know that none of his international competitors have been doing any better.

Hand too, at times, to keep faith with a country such as Brazil—whose enormous potential is apparent to the newcomer, in the midst of the deepest crisis—when its government is pursuing what Sommer believes is a self-defeating policy of protectionism against high-tech foreign companies such as his own.

Lurgi specialises in sophisticated process engineering equipment, often custom-made, shipped from West Germany rather than bought in locally. Thus, one of Rainer Sommer's chief concerns is naturally the protection of his company's patents against the predatory attention of local rivals.



where 60 per cent of the country's industry is located and other German companies are thick on the ground.



Professionally, Sommer feels isolated. In "playboy" Rio de Janeiro, in addition, as he admits, most of his friends are in Sao Paulo. At a personal level, getting used to skyscraping rates of inflation (last year it jumped from an annual rate of 100 per cent to 210 per cent over the 12 months) takes some doing. But for anyone earning in hard currency life in Brazil these days is cheap indeed. Best cuts of beef at 80p a pound and

change from a pound note for a five mile taxi ride takes any Briton or West German back 30 years in terms of prices.

Unusually for Rio, the Sommers live in a house rather than a high-rise flat near the beach, the preferred way of life for most foreigners and better-off Brazilians. The preference is part natural inclination and partly motivated by reasons of security, because of the ever-present risk of armed robbery.

The Sommers' large, comfortable house in Jardim Botânico, a discreetly superior neighbourhood set back against the vertiginous hills surrounding the city, is a tranquil oasis away from the noise and bustle elsewhere.

ground, in a country where flexibility is perhaps one's most important asset.

As a foreign employer he is conscious of the need to provide better working terms than a local company would and of the pains of sacking employees. Last year he was forced to dismiss 10 people, half his staff and the "social reality" of Brazil hit home.

For those used to the wide-open spaces, the big challenges and broad brush issues—often, literally, of life and death—in a country such as this, it is hard, as Sommer says, to accept the narrow-mindedness and parochial attitudes found in Western Europe.

Training for 'supermanagers'

Same thing, new jargon

SO MANY British managers were avid for communications courses that the researchers surveying demand for training decided to probe deeper. They therefore asked the survey sample precisely what was expected from the communications courses which towered over all other forms of management training in the popularity league.

It turned out that the managers believed the courses would teach them how to give orders in such a way that subordinate staff would obey them enthusiastically in every detail. In short, they expected the training to equip them with a managerial magic spell.

That bizarre survey finding dates from the early 1970s, but a new study by London Business School and the Egon Zehnder International head-hunting concern suggests that Britain's top executives still indulge in the same wishful thinking. The study was made late last year and covered 100 people, half his staff and the "social reality" of Brazil hit home.

On the one hand, the people questioned were largely agreed that their organisations need managers who will lead forcefully from the front. "I want hard-nosed, tough people," was one typical response. Another was: "Success is with the tough-minded in the 1980s. Yet we have an abundance of people who were brought up in the 1960s and 1970s with a belief in the sanctity of human beings. They are the products of the social sciences and are now in the wrong place at the wrong time. We may just have to weed them all out."

communications," but in "interpersonal skills." The training provided boils down to exactly the same sort of thing, of course, but the 1980s title represents a marked advance in the use of jargon.

Even if the added gobble-dygook at last sets the magic working, the companies' management problems won't necessarily be solved. They will evidently be hard pressed to find enough tough raw material suitable for sending on the miraculous courses.

For the study suggests that, with the exception of the chiefs who took part in the survey and a handful of others, the executive offices of many of the companies are crammed with dummies. "Of the top 30

people, 10 are high-calibre business people—leaders and achievers in every sense," was a further typical response. "We have an excess of mediocre, poor general managers," complained someone else. Another sighed: "The surpluses should have been weeded out long ago."

general can offer to most of them is a managerial life distinctly nastier, more brusque and shorter than has been vouchsafed to their predecessors. "It is not as easy as it was for young people succeed. The margin for error is so much smaller. The pressures on them are enormous," said one of the chiefs. The report by London Business School and Egon Zehnder on the study's findings goes further:

"With the oversupply of labour (if not of super talent) the managerial assessment process may become as vicious as the common entrance examination. Individuals will have one chance and one only. Assessment for the 'fast track' is primarily about rejection rather than retention."

Those who stay on the fast track, flashing from marketing to finance to production and onwards as their super-absorbent minds soak up the experience that will make them the very models of the modern general manager, will still present their employers with certain problems.

One is how to keep the star performers from zooming off somewhere else. Stupendous material rewards appear to be the main hope. The only trouble is that, as Professor Lester Thurow observed in "The Zero Sum Society," the greater material wants become, making them expect more pay still. Even if they get it, news that someone else is doing better is liable to set their feet itching just the same.

Promotion prospects will be quite irrelevant to the problem of retaining the new breed. To them, promotion will not be a reward as it was to their predecessors. It will be a necessity. If they are not to be fired early on, they will have to rise to the top of the organisational tree by their mid-30s. They might well then refuse to be distinguished from there even by prods from the hard noses of the late-20s generation trying to climb up.

TECHNOLOGY

SOFTWARE AUTHORS WORLD-WIDE SEEM TO THINK ALIKE

Are these trends or just trendy?

BY ALAN CANE AND LOUISE KEHOE

TALK TO any one of the top software houses these days and you've talked to them all. That's an exaggeration, of course, but the innocent abroad in the software world does tend to suffer from a kind of technological déjà vu as a succession of aggressively bustling software houses highlight the features which distinguish their latest microcomputer software offering.

What is remarkable is that these features, developed by companies as geographically spread as Massachusetts, Kansas and London, are frequently identical.

These are, of course, the monotonous, which the most significant by far is the move towards integrated software, software packages in which the programs to carry out several different tasks are integrated together on a single computer storage disk.

First in the market place in 1982 with this kind of software was Lotus Development Corporation with its 1-2-3 package, which incorporated a spreadsheet, a files manager and graphic displays.

Helped by a massive promotional campaign, it was an instant success and at £375 in the UK is still a big seller.

A recent issue of the U.S. software monthly Software News, shows 1-2-3 at number four in its best-seller list; no other integrated package is in the top 25.

All of that is set to change, however. In the UK, a small software house called Psion (see this page, July 3 this year) has launched an integrated package called "Exchange" which combines word processing, a spreadsheet, a filing system and a graphics module all for about \$495.

Launched in the UK in the past couple of weeks, an ebullient Lotus is already claiming orders for Symphony worth £1.3m at retail prices.

Mr Mitch Kapor, Lotus president, is quietly confident about the way his new software will perform against the new, aggressive opposition: "It is easy to take too many things at face value but we have actually shipped our product. We said we would ship it in the first week of July and we have kept that promise—and that will make a large difference."

What is interesting about the new packages is the attention paid to the individual components of the integration. 1-2-3 was basically a superspreadsheet with graphics and file management added to make life easier for the user.

Company executives for the new integrated packages are claiming supremacy for each individual part of their product. Lotus claims to sell them separately as well.

Dr David Potter of Psion, for example, says that the spreadsheet in Exchange is: "More powerful than Multiplan (a Microsoft spreadsheet that was top of the software pops in the U.S. in May). The file manager, a sophisticated way of filing information so that it can be recalled in many different ways according to the needs of the user."

Innovative Software is quite candid about the way it set out creating a superlative set of packages for Smart; they listed all the best features they had seen in existing dedicated packages: "We had a 19 page list of minimum requirements for the data base package," recalls Michael Brown, Innovative Software.

Innovative Software sells its complete Smart package for £835 but the database manager and spreadsheet with graphics separately for £350 each. The word processor costs £280 separately.

Like many another expatriate manager, Rainer Sommer complains, albeit mildly, about the lack of comprehension head office sometimes shows for the reality of Brazil. He finds a frustrating conflict of interest between headquarters and the foreign branches, especially at times of economic difficulties.

Frankfurt may be right in strictly legal terms on any given issue, but Sommers has to cope with the situation on the ground, in a country where flexibility is perhaps one's most important asset.

As a foreign employer he is conscious of the need to provide better working terms than a local company would and of the pains of sacking employees. Last year he was forced to dismiss 10 people, half his staff and the "social reality" of Brazil hit home.

On the other hand, the people questioned were largely agreed that their organisations need managers who will lead forcefully from the front. "I want hard-nosed, tough people," was one typical response. Another was: "Success is with the tough-minded in the 1980s. Yet we have an abundance of people who were brought up in the 1960s and 1970s with a belief in the sanctity of human beings. They are the products of the social sciences and are now in the wrong place at the wrong time. We may just have to weed them all out."

How, therefore, do the modern masterminds of British big business propose to ensure that their steady managers' orders are obeyed in full, instead of sidetracked or downright sabotaged by the work force?

The answer is by sending the toughest on courses, not in anything so outmoded as

communications, but in "interpersonal skills." The training provided boils down to exactly the same sort of thing, of course, but the 1980s title represents a marked advance in the use of jargon.

COMPUTING

'The Bunch' faces a 'bleak' future

BY GEOFFREY CHARLISH

IN A hard hitting analysis of the mainframe computer market, New York stockbrokers Faine Webber describe the outlook for "The Bunch" (Burroughs, Sperry, Univac, NCR, Control Data and Honeywell) as "bleak."

Faine Webber analyst Jonathan M. Fram identifies several problems areas. Primarily, there has been an erosion of demand for general purpose mainframes with the emergence of smaller machines of growing power applied to specific tasks. Examples are Wang (word processing), Apple (personal computers) and Cray (high powered scientific processing).

According to Fram, only general business tasks like billing, database management and network management are "truly well suited to mainframes," but that market segment "has become saturated."

He claims that nearly half the applications currently being run on mainframes could be performed on special purpose machines. The present market base is falling rapidly, with IBM in falling in line with SNA (systems network architecture), IBM's prime communications protocol. At the same time, the vast amount of software written for IBM systems (interchange and software houses) acts against sales of Bunch hardware.

In Fram's view, the basic technology gap between The Bunch and IBM plus its plug-compatible competitors "has widened to the insurmountable."

IBM is becoming formidable in terms of semiconductor research and application and at the same time the market base from which The Bunch can finance similar research has been getting smaller.

Inter-chip signal delay times are at the heart of the problem. Large, powerful machines imply considerable numbers of semiconductor "chips." Faster processing means that the short time it takes digital pulses to get from one chip to another over an inch or two of wire has become a bottleneck.

The New York analyst is also doubtful about both networking and software futures for The Bunch. He thinks they will not be able to keep up with IBM in falling in line with SNA (systems network architecture), IBM's prime communications protocol. At the same time, the vast amount of software written for IBM systems (interchange and software houses) acts against sales of Bunch hardware.

EDITED BY ALAN CANE

Analysis

Atom trap for chemists

PYE UNICHEM has recently introduced a new device for flame-atomisation atomic absorption spectrophotometry. It calls it a slotted-tube atom trap (STAT).

The use of this new device makes possible determinations that were hitherto impossible. Pye claims, pointing out that using the STAT, lead can be detected at concentrations as low as 0.0035 parts per million (ppm) compared with 0.005 ppm using conventional techniques.

Cadmium can be detected in concentrations as low as 0.003 ppm (0.001 ppm conventional) at concentrations of only 0.0004 ppm (0.0008).

The device uses a slotted silica tube which increases the amount of time the atoms spend in the spectrophotometer light beam and so improves sensitivity and detection limits. More on 0223 358866.

Software

Investment aid for planners

INTERNATIONAL Microcomputer Software Inc (IMSI), a U.S. West Coast software publisher has launched a software package aimed at serious investors and financial planners.

Among the claimed features are: weighs investment risk and return using modern portfolio theory, handles all kinds of securities with single or multiple portfolios, stores up to 1,000 positions per portfolio and accesses several financial databases for auto-updates on security prices.

The software is available for the IBM PC and its clones, DEC Rainbow, Wang PC, NCR Decisionmate with 128K NCR memory and two disk drives.

Versions are also available for machines that run under CP/M 80 with 48K of RAM. The program, which costs \$275 in the U.S., was designed by The Walton Group in Boston.

Share

ICC NOW ON LINE Financial Information on 60,000 Companies 01-250 3922

Instruments

Linking plotter to oscilloscope

PHILIPS CAN offer a link between its FHE48 intelligent X-Y plotter and the PHS305C digital storage oscilloscope.

Both instruments are IEEE bus-compatible and can be connected together without any form of controller or intermediate equipment—software is employed instead. A simple connecting cable is all that is needed and is supplied as part of the package.

The plotter uses A4 paper on which can be created graphs, bar-charts, pie-charts and similar material in six colours. Alternatively, hard copy can be made in three colours of the memory contents of the 3306C scope at 400 mm per second.

The combination is available in the UK for £5,945 (a saving of 5400 over the separate purchase of the two instruments. More from Pye Unicam, Cambridge, on 0223 358866.

Electronics

Single board Unix computer

TADPOLE TECHNOLOGY of Cambridge has launched a computer circuit board combining a multi user computer with high resolution colour graphics.

Based on the Motorola 68000/16 16-32 bit processor, the product is offered with Unix System V. The company is aiming at manufacturers of Unix-based computers in the UK and U.S.A. According to the company, its new board at about £2,000 will offer exceptional price performance compared with existing products. More on 0223 861122.

Share

Cash

Index

COMPSOFT COMPSOFT COMPSOFT COMPSOFT

Copies of this document, each having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Compssoft Holdings plc (the "Company") and its subsidiary, Compssoft Limited. The Directors of the Company (the "Directors") have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the ordinary shares of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

The procedure for application is set out at the end of this document, together with an application form. The application list will open at 10 a.m. on Thursday, 19th July 1984 and may be closed at any time thereafter.

COMPSOFT HOLDINGS plc

(Incorporated in England under the Companies Acts 1948 to 1980 Number 1608995)

Offer for Sale by Tender by Kleinwort, Benson Limited

of 1,891,145 ordinary shares of 5p each
at a minimum tender price of 120p per share,
the price tendered being payable in full
on application

Share Capital

AUTHORISED:
£500,000 in 10,000,000
ordinary shares of 5p each

ISSUED AND TO BE ISSUED FULLY PAID:
£380,000 in 7,600,000
ordinary shares of 5p each

The ordinary shares now offered for sale will rank in full for all dividends hereafter declared, paid or made on the ordinary share capital of the Company.

Cash Balances and Indebtedness

At 29th June 1984, the Company and Compssoft Limited (collectively "Compssoft" or the "Group") had balances at banks totalling £209,807.

At that date the Group had no overdrafts outstanding but had outstanding a secured mortgage loan of £335,990, finance lease commitments of £517,780 and hire purchase commitments of £80,272. Apart therefrom and save for intra-group indebtedness, neither the Company nor its subsidiary had at that date any loan capital (including term loans) outstanding or created but unissued or any mortgages or charges or any other borrowings or indebtedness in the nature of borrowing, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

Highlights

The following information is derived from the full text of this document and accordingly should be read in conjunction with that text.

Business

The principal business of Compssoft is the design, development, production and distribution of its database management software. Compssoft is a leading independent British software house in the database management software market for business micro-computers. Its products are marketed in the UK and since very recently in many of the countries of Continental Europe in local language versions.

Turnover and profit before tax for the five financial periods ended 31st March

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000
Turnover	9	43	253	750	1,329
Profit before tax	4	3	90	245	543

Share capital

7,600,000 ordinary shares of 5p each issued and to be issued fully paid

Offer for Sale statistics at the minimum tender price of 120p per share

Market capitalisation	£9.12 million
Earnings per share for the year ended 31st March 1984*	4.68p
Price earnings multiple	25.6 times
Gross dividend yield based on a dividend per share of 1.5p**	1.79 times
Dividend cover based on earnings and dividends per share of 4.68p and 1.5p respectively	3.1 times
Net tangible assets at 31st March 1984 adjusted for the net proceeds of the Offer for Sale	£946,000
Net tangible assets per ordinary share	12.5p

* Calculated on the basis of the profit after taxation of £327,413 and of 7,000,000 shares, being 1,000 shares of £1 each in issue at 31st March 1984, adjusted for the capitalisation issues and reorganisation of capital since that date.

** If the shares in the Company had been quoted on the Unlisted Securities Market throughout the financial year ended 31st March 1984, the Directors would have recommended dividends in respect of that year totalling 1.5p per ordinary share (equivalent to 2.14p gross with the related tax credit).

Directors and Advisers

Directors
Patrick Nicholas Horgan
Heather Lynn Kearsley
James Miller
Professor David Victor Canter
all of Compssoft Holdings plc, Hallams Court, Shamley Green, Nr. Guildford, Surrey GU4 8QZ

Secretary and Registered Office
James Miller, CA
Hallams Court, Shamley Green, Nr. Guildford, Surrey GU4 8QZ

Issuing House
Kleinwort, Benson Limited
20 Fenchurch Street, London EC3P 3DB

Auditors and Reporting Accountants
Deloitte Haskins & Sells, Chartered Accountants
128 Queen Victoria Street, London EC4P 4JX

Solicitors to the Company
Outred & Co.
10 Oxford Terrace, Guildford, Surrey GU1 3SS

Solicitors to the Offer for Sale
Herbert Smith & Co.
Waring House, 35-37 Cannon Street, London EC4M 5SD

Stockbrokers
Laurence, Prust & Co.
Basildon House, 7-11 Moorgate, London EC2R 6AH

Bankers
Courts & Co.
188 Fleet Street, London EC4A 2HT

Registrars and Transfer Office
National Westminster Bank PLC, Registrar's Department
P.O. Box 82, 37 Broad Street, Bristol BS99 7NH

Receiving Bankers
National Westminster Bank PLC, New Issues Department
P.O. Box 79, 2 Princes Street, London EC2P 2BD

Description of the Group

INTRODUCTION

The increasing use of micro-computers in business applications continues to create a growth in demand for software designed to facilitate the management of data in a logical, efficient and flexible manner.

The principal business of Compssoft is the design, development, production and distribution of its database management software. Compssoft is a leading independent British software house in the database management software market for business micro-computers. Its products are marketed in the UK and since very recently in many of the countries of Continental Europe in local language versions.

Compssoft's products are distinguished in the business micro-computer software market by their user friendliness which caters for the needs of non-technical users.

Compssoft's recent products have been designed for the new generation of 16-bit business micro-computers such as the IBM PC, the DEC Rainbow, the HP 150 and the ACT Apricot range. As part of the Group's drive into Europe, these products have been or are being translated into most of the major European languages. Compssoft is entering into European marketing and distribution arrangements with major computer manufacturers to augment the UK distribution of its products.

Distribution arrangements have already been agreed with IBM, DEC, Hewlett Packard and Xerox.

HISTORY

A new generation of small computers was introduced to the UK market in 1978. At that time Nick Horgan, Compssoft's Chairman, was a successful computer consultant with an international clientele, specialising in business-orientated software for large mainframe computers. His particular expertise was in the application of software systems for the management of data on mainframe machines. He soon recognised the opportunity to apply this specialist knowledge to micro-computers as their use spread among business users.

He formed Compssoft Limited in September 1978 and by the end of 1979, while continuing with his consultancy business, he had created his first database management software product for micro-computers, now known as DMS. In March 1980 Heather Kearsley, Nick Horgan's wife, began the active marketing of DMS through Compssoft Limited. As a result of her marketing effort, sales and profits increased substantially. By July 1981 Nick Horgan was devoting all his time to the business and its continuing product development programme. In March 1982, to cater for its rapid growth, Compssoft Limited moved into Hallams Court, a country house in Surrey. This remains the Group headquarters and training centre.

In January 1983, Compssoft launched DELTA, its principal current product.

COMPSOFT'S PRODUCTS

DATABASE MANAGEMENT SOFTWARE PRODUCTS

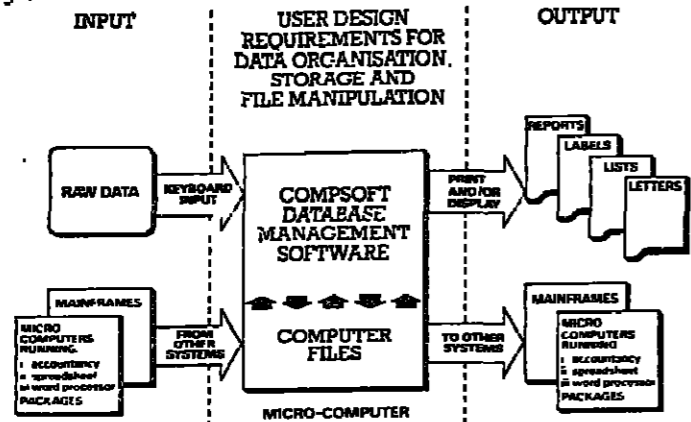
Database management software products, in which Compssoft currently specialises, are able to receive, in formats selected by the user, large quantities of information consisting of numbers, text or dates. The programs can then store and rapidly retrieve, process and display or print the results. Database management software products also provide facilities for sort, search, calculation and the printing of lists, labels, reports and letters.

Compssoft software guides business users with no previous programming expertise in creating logically structured databases. These databases can then be used to manage business data in a manner most appropriate to users' needs. In the absence of products of this sort, business micro-computer users wishing to create and manage computerised databases would have two types of software from which to choose: "programmers" software which would require knowledge of a computer programming language and an aptitude for designing database structures, or "dedicated" software which is specific to a particular application.

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COMPSOFT HOLDINGS plc

The diagram below illustrates the functional capabilities of Compssoft products:—



Compssoft's products enable people to exploit the potential of their micro-computers in managing a wide range of tasks such as the production of letters and addressing of envelopes and the organisation of price lists, personnel records, inventories, car fleets, investment portfolios and livestock. Compssoft's database management software is now well known in the UK market. The quality of its products has been recognised by a variety of awards from the industry, notably in 1983 the RITA (Recognition for Information Technology Achievement) award for 'Software Product of the Year' sponsored by the National Computing Centre. Its products are also distributed by the Central Computer and Telecommunications Agency for use in UK government departments.

PRODUCT RANGE

Compssoft has introduced new database management software products and foreign language versions of existing products to meet the increasingly sophisticated demands of micro-computer users in the UK and Continental Europe. The table below summarises the history of the most significant product launches.

Launch Date	Product
Spring 1980	DMS was the principal source of Compssoft's early growth. It has now been superseded by other Compssoft products.
January 1982	DMS Diamond is a DMS-type product specifically written for the Commodore PET.
January 1983	DELTA I is designed for the new generation of 16-bit machines and simplifies the handling of historical and repeating information which includes, for example, illness histories maintained by general practitioners. It has considerably extended reporting and calculation facilities.
October 1983	DELTA I in its first foreign language version (French).
April 1984	DMS+ is an enhanced version of DMS for users who do not require the more sophisticated data management systems software such as DELTA I.
May 1984	DELTA II is an improved and extended version of DELTA I with enhanced data entry facilities and data display and reporting capabilities.

DELTA I is already available in:—
 French, Danish, German, Norwegian, Italian, Swedish, Spanish, Finnish, Portuguese.

DELTA II is now available in Dutch. It is intended that other European language versions of this program will be launched in due course.

End-users of sophisticated software products derive considerable benefit if the software house follows a path of constant enhancement and removal of errors. Compssoft provides this as a matter of course.

DESIGN PRINCIPLES

The overriding aim of Compssoft's development programme is to ensure the marketability of its products. Compssoft has achieved this by incorporating the following key design features:—

- Ease of use**: Its products are suitable for users who are not programmers. Compssoft aims to ensure an easy interactive style of communication between the machine and its user, using a question and answer routine.
- Versatility**: The potential applications of Compssoft's software are as wide ranging as possible so as to appeal to the broadest spectrum of business micro-computer users. This enhances the value for money of its products as the economies of large-scale production are passed on to the customer.
- Compatibility**: Its products are compatible with a wide range of business micro-computers from leading manufacturers, which often make available to Compssoft pre-launch examples of their new hardware. The DMS and DELTA families run with CP/M, MP/M, MS/DOS and PC/DOS operating systems and are compatible with many of the leading 8-bit and 16-bit micro-computers, including:—

ACT Apricot	IBM PC
Apple IIe (with CP/M)	IBM XT
Commodore PET (DMS only)	ICL PC1
Compaq	Olivetti M24
DEC Rainbow	Sirius
Epson QX10	Wang PC
Hewlett Packard 150	Xerox 16/8

DELTA II has been designed to run only on 16-bit machines (such as the IBM PC) using MS/DOS or PC/DOS operating systems which now form the vast majority of business micro-computer sales.

Ease of translation: DELTA is designed for ease of translation into foreign languages. The basic structure of DELTA incorporates the ability to translate all messages without recourse to programming, to handle non-English keyboards and printers and to collate local language character sets.

Integration: DELTA and DMS+ are designed to integrate as widely as possible with other popular software packages, such as:—

Word processing	Spreadsheets	Accountancy
Peachtext	Multipan	Pulsar
Wordstar	Viscalc	Pegasus
	Lotus 1-2-3	

Information is increasingly transferred between micro-computers and large mainframe machines. DELTA can prepare a file in a format suitable for this purpose.

Compssoft places great value on the feedback which it receives from end-users in establishing the direction of its development and enhancement programme.

INTELLECTUAL PROPERTY RIGHTS

Each software package sold incorporates a unique licence number which makes it possible to trace the source of unauthorised copies and to take action to protect Compssoft's interests.

The Directors are aware that software 'piracy' in parts of the industry, notably computer games, has received considerable publicity. Compssoft is monitoring the latest 'anti-piracy' technology and will upgrade the protection afforded to its own software should this be considered appropriate in the future.

FUTURE PRODUCT DEVELOPMENTS

Nick Horgan and his team of six software engineers are well advanced in a continuing series of enhancements and improvements of DELTA II, including a multi-user version and a graphic output facility.

Further projects are underway in such areas as demonstration, teaching and examination packages, 'expert systems' and fully integrated packages for micro-computers comprising word processing, database management, spreadsheet, graphics and communications.

MARKETING AND SALES

MARKETING STRATEGY

Compssoft is building on its already substantial position in the UK market for database management software by aggressive expansion into Continental European markets. The Directors believe that these markets have for the most part been poorly served by indigenous companies producing technologically immature products. Entry to these markets has usually been hindered by the technical complexity and cost of translating English-language software. Ease of translation is a fundamental design feature of DELTA.

Marketing is crucial to Compssoft's present and future development. In order to stimulate and expand its UK market, Compssoft uses a wide range of marketing techniques such as road shows, exhibitions, advertisements and reviews in the principal micro-computer magazines, mailshots to dealers and end-users, promotional material distributed to dealers and publicity resulting from the receipt of computer industry and other awards.

UK DEALER NETWORK

To date, Compssoft has sold mainly through a network of nearly 900 dealers in the UK. The loyalty of Compssoft's dealers is actively sought as a source of future sales. It is recognised that loyalty to the Compssoft name, as well as familiarity with the design characteristics of its products, will stand Compssoft in good stead when it introduces new products to the market in the future. The principal elements of the support given to dealers include free training courses in the use of Compssoft's products, telephone 'hotline' support and the provision of promotional materials.

DISTRIBUTION AND MARKETING ARRANGEMENTS WITH HARDWARE MANUFACTURERS

Compssoft has adopted a strategy of developing close relationships with a number of major manufacturers of business micro-computers. The purpose is to reach the widest possible market, particularly in Continental Europe, whilst at the same time limiting the Group's financial exposure. As a result of the impact which its sales and product developments have had on the UK market, Compssoft has acquired sufficient recognition to warrant these major manufacturers entering into arrangements to distribute and market Compssoft's products through their dealer networks.

A number of these arrangements have recently been concluded and others are expected to be concluded shortly. The current status of these arrangements can be summarised as follows:—

Manufacturer	Status
IBM	DELTA is an IBM distributed product in the UK, Belgium, France and Italy.
DEC	DEC has signed a world-wide enabling contract for the distribution of DELTA, which will be a 'Digital Classified Product' throughout Europe.
Hewlett Packard	Hewlett Packard has signed a world-wide enabling contract for the distribution of DELTA. Distribution of products in French, Italian and Spanish has already begun.
Xerox	Xerox is distributing DELTA in the UK, France, Portugal and Finland.

IBM and Xerox, and other manufacturers such as ACT, Olivetti and Wang, have a number of European language versions of DELTA under review.

Compssoft supports the hardware manufacturers in the training of dealers in the use of Compssoft's products by providing translations of training materials in local languages and supervising training courses locally.

The prices available under these new arrangements are lower than those currently achieved through sales direct to dealers. However, the hardware manufacturers will provide much of the dealer and end-user marketing, distribution and support. The Directors therefore believe that the additional sales networks now available to the Group, particularly in Continental Europe, will contribute significantly both to its volume of sales and to its net profits.

END-USERS

Compssoft actively encourages a continuing relationship with its end-users through the services provided by its Users Club and training courses. The Users Club has some 800 members who receive telephone 'hotline' support and applications advice, regular updates of technical information and discounts on the training courses run by Compssoft.

Amongst current members of the Users Club are:—

Akroyd & Smithers	Medical Oncology Unit,
Allied Breweries	Westminster Hospital
Avis Rent A Car	Milk Marketing Board
British Airways	Mylor Yacht Harbour
Brecon Beacons National Park	Oxford University Appointments Committee
Diners Club International	Plessey Semiconductors
Foreign & Commonwealth Office	Prudential Assurance
HQ RAF Support Command	Reading University Library
ICI	Securicor
Kent Fire Brigade	Sussex Police
Lewisham Social Services	Time Life International
Marconi Defence Systems	

SALES

The principal sources of income are the sale of database management software products, fees for training courses and annual subscriptions from members of the Users Club. Other income includes revenue from sales of demonstration packages, upgrades and licences. Turnover and the number of packages sold in the past two financial years were as follows:—

Year ended 31st March	1983		1984	
	Number of packages	Revenue £'000	Number of packages	Revenue £'000
Sales of packages	2,380	590 (78%)	1,250	230 (17%)
DMS range	200	60 (8%)	3,070	792 (60%)
DELTA I		50 (7%)		153 (11%)
Training and Users Club		50 (7%)		155 (12%)
Other income				
		750 (100%)		1,329 (100%)

COMPETITION

Compssoft's major competitor is Ashton Tate's dBase II. This program appears to be best suited to the technical user with knowledge of higher level programming languages and an aptitude for designing database structures.

Compssoft's products, in contrast, are specifically designed for business users with no programming expertise.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Nick Horgan (aged 38) is Executive Chairman and Managing Director. His involvement in the electronics and computer industry dates back to 1962. He began a successful career as a freelance software consultant in 1971, advising a variety of international companies in their use of large mainframe computers. He founded Compssoft Limited in 1978. Since July 1981 he has devoted all his time to the business and he plays a leading role in the creation and development of new products and the strategic development of the Group.

Heather Kearsley (aged 32) is Executive Marketing Director and is married to Nick Horgan. She graduated with a BA Honours degree in psychology from Newcastle University in 1973. After teaching in secondary schools, she was appointed lecturer in social psychology at Guildford Technical College. Since June 1980, she has been a full-time working director and has been the driving force behind the Group's aggressive marketing and promotional activities. In 1983 she was runner-up in the 'Options/Philips', 'Women Mean Business' awards.

Jim Miller (aged 43) is Executive Finance Director and Secretary. He qualified as a chartered accountant in 1963 and has acquired extensive experience both in industry and in the profession, latterly as a senior manager in the London office of Deloitte Haskins & Sells. He became a self-employed financial consultant in 1982, specialising in the installation and establishment of computerised accounting systems. He joined Compssoft in March 1984 and became a Director in April.

Professor David Canter (aged 40) is a non-executive Director. He is Professor of Applied Psychology at the University of Surrey. For the last ten years, he has advised government departments and commercial organisations on the design of computer systems as well as on documentation and training.

MANAGEMENT AND STAFF

Compssoft is organised on the following departmental lines:—

Research and Development has a team of six software engineers led by Andy Rigby (aged 27), Programming Manager. He joined Compssoft Limited in January

1981 after gaining two years' programming experience with micro-computers elsewhere. The staff in this department carry out original research into the application of advanced programming and systems design techniques, as applied to the creation of micro-computer software for business applications. The department is under the overall direction of Nick Horgan.

Production and Technical Support comprises a staff of eight under Eric Lovett (aged 25), Technical Manager, who joined Compssoft Limited in January 1982. He had previously gained experience in computer consultancy, as a micro-computer dealer and in programming. The department is responsible for the production of discs and manuals in around 100 different combinations of disc format, language and product, for the provision of technical support services to end-users and dealers and for the running of four different types of training course.

Sales and Marketing is the responsibility of Wendy Berry (aged 28), Sales and Marketing Manager. She joined the Group in June 1982 and has diplomas in language studies and French commerce. She manages a UK team of five marketing and dealer support staff and a European sales department comprising five staff who are responsible for the foreign language translations and for the co-ordination of overseas sales and marketing. The department is under the overall direction of Heather Kearsley.

Finance and Administration is under the supervision of Jim Miller and comprises five staff. The department is responsible for processing orders, debt collection, maintaining computerised customer records and general financial and management accounting.

All but the most recently recruited employees hold shares in the Company. The Directors recognise that the development of the Group is dependent upon its employees and are committed to the close involvement of employees in its future prosperity. It is intended within the next twelve months to introduce an Inland Revenue approved share incentive scheme for all employees. In addition, 50,000 shares have been reserved in the Offer for Sale for preferential applications at the striking price by members of staff.

PREMISES AND NET TANGIBLE ASSETS

Compssoft operates from Hallams Court, a converted country house near Guildford in Surrey providing some 8,000 square feet of office space, of which it owns the freehold. Due to expansion, it is probable that additional accommodation will soon be required, and Compssoft is currently seeking larger premises in the Guildford area.

The consolidated net tangible assets of the Company and its subsidiary, based on the audited consolidated balance sheet at 31st March 1984, and after taking into account the estimated net proceeds of the subscription for new shares at the minimum tender price, are £948,000. On the basis of the 7,600,000 shares in issue following the Offer for Sale, the net tangible assets are equivalent to 12.5p per ordinary share.

PROFITS AND DIVIDENDS

The table below shows the growth in turnover and profit of the Group from incorporation to 31st March 1984, based on information in the Accountants' Report.

Financial period ended 31st March	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
Turnover	9	43	253	750	1,329
Profit before tax	4	3	90	245	543
Profit after tax	2	2	54	112	327
Earnings per share*	0.03p	0.02p	0.76p	1.60p	4.68p

* Calculated on the basis of profit after taxation and of 7,000,000 shares, being the 1,000 shares of £1 each in issue at 31st March 1984, adjusted for the capitalisation issues and reorganisation of capital since that date.

Early growth was generated by the DMS range of programs, and in the year ended 31st March 1984 DELTA I became the principal source of revenue and profit. Research and development expenditure, including the development costs associated with the European translations of DELTA I (involving a team of five translators as well as programming staff), is written off as incurred.

The Directors are most satisfied with current trading levels but consider that it is too early in the financial year to publish a profit forecast.

If the shares in the Company had been quoted on the Unlisted Securities Market throughout the financial year ended 31st March 1984, the Directors would have recommended dividends in respect of that year totalling 1.5p per ordinary share (equivalent to 2.14p gross with the related tax-credit).

REASONS FOR THE ISSUE AND WORKING CAPITAL

The 1,891,145 shares being offered for sale include 1,300,000 shares being sold by the existing shareholders of the Company.

The sale of the balance of 591,145 shares will, at the minimum tender price and after deducting the expenses of the Offer for Sale, raise £449,000 of new capital for the Company. The Directors consider that it is appropriate to raise such capital at this stage of the Group's development. The Directors believe that Compssoft has great opportunities in Continental Europe. The new resources provided by the Offer for Sale will enable the Group to exploit these opportunities with a major marketing and training effort in support of the hardware manufacturers with which the Group has arrangements for the distribution of Compssoft products. The Directors also recognise that the Company will have the ability to make acquisitions of other businesses through the issue of marketable securities. However, no specific acquisitions are at present under consideration.

The Directors are of the opinion that the Group has adequate working capital for its present requirements after taking into account the net proceeds of the Offer for Sale and the Group's existing bank balances.

PROSPECTS

The Directors believe that Compssoft enjoys a market position in the UK from which it can achieve further significant growth through the introduction of enhanced database management software products.

Compssoft is an early entrant into Continental European markets. Translations of DELTA I into most of the main European languages have now been completed and distribution arrangements have recently been agreed with a number of the major hardware manufacturers. The Directors are confident of the major growth potential of Continental European markets. These are at an earlier stage of development than that of the UK but are expected to grow in much the same way. The Directors believe that Compssoft's range of proven software products will find ready market acceptance.

Compssoft's research and development department is working on further projects in such areas as demonstration, teaching and examination packages, 'expert systems' and fully integrated packages. It is the intention that all future products will be available in local language versions as Compssoft consolidates its position in European markets. In support of the establishment of a Europe-wide business, Compssoft has built up a strong team of local nationals with responsibility both for translation and the co-ordination of sales and marketing.

The combination of these factors and Compssoft's financial and management resources offers scope for continued profitable growth.

Accountants' Report

The following is a copy of a report to the Directors of Compssoft Holdings plc and to the Directors of Kleinwort, Benson Limited from Deloitte Haskins & Sells, auditors and reporting accountants.

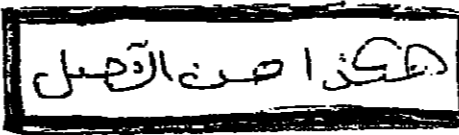
The Directors, Compssoft Holdings plc, Hallams Court, Shamley Green, Nr. Guildford, Surrey GU4 8QZ	and	The Directors, Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB
		Deloitte Haskins & Sells, P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX
		11th July 1984

Gentlemen,

INTRODUCTION

- We have examined the audited accounts of Compssoft Holdings plc (the 'Company') and its wholly-owned subsidiary Compssoft Limited for the periods relevant to this report. No audited accounts of the Company or its subsidiary have been prepared in respect of any period subsequent to 31st March 1984. The Company and its subsidiary are hereafter collectively referred to as the 'Group'.
- Compssoft Limited was incorporated on 27th September 1978, and Compssoft Holdings plc was incorporated on 21st January 1982 so as to form a separate holding company for the Group. The accounts included herein reflect the results of Compssoft Limited to 31st March 1982 and thereafter the results of Compssoft Holdings plc and its subsidiary as a consolidated group.

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3. For accounting periods from incorporation to 31st March 1983, Ascoug & Co. reported as auditors on the accounts of Compsoft Limited. Otherwise, Deloitte Haskins & Sells have reported as auditors on the accounts of the Group companies.

4. The information set out in paragraphs 5 to 9 below is based on the audited accounts of the Group, after making the adjustments we consider appropriate for the inclusion of our report in the prospectus dated 11th July 1984. For all the accounting periods dealt with in this report, the audited accounts have been prepared throughout in accordance with standards approved by the accountancy bodies in the United Kingdom.

5. In our opinion the information set out in paragraphs 6 to 9 below gives, for the purpose of the prospectus, a true and fair view of the profits and source and application of funds of the Group for the five financial periods to 31st March 1984, and of the state of affairs of the Company and of the Group at 31st March 1984.

ACCOUNTING POLICIES

6. The significant accounting policies that have been adopted in arriving at the financial information set out in this report, and that conform with UK accounting standards, are as follows:

(a) **Basis of accounting**
The accounts have been prepared on the historical cost basis of accounting modified by the revaluation of certain fixed asset investments. Current cost accounts have not been prepared as the Group does not fall within the scope of Statement of Standard Accounting Practice No 16.

(b) **Basis of consolidation**
The Group accounts include the accounts of the Company and its subsidiary prepared to 31st March in each year, and they have been consolidated on the merger basis of accounting.

(c) **Tangible fixed assets and depreciation**
Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight line basis as to write off the cost of fixed assets over their estimated useful lives at the following annual rates:
Buildings 1% Vehicles 25% Other assets 20%

(d) **Stocks**
Stocks comprise supplies and other stores held for resale and are valued at the lower of purchase cost and net realisable value.

(e) **Deferred taxation**
Provision is made for deferred taxation based on the latest known tax rates and legislation, except where a liability is not expected to arise in the foreseeable future, on:
(i) the amount by which the taxation allowances claimed exceed the amounts provided in the accounts for depreciation of the relevant fixed assets;
(ii) the amount by which the taxation allowances claimed on leased assets exceed the lease rentals received; and
(iii) certain other revenues and expenses that are dealt with for taxation purposes in periods different from those in which they are dealt with in the accounts.

(f) **Investment in finance leases**
The investment in finance leases represents the capital cost of leased equipment less the related borrowing. This cost will be written off over the periods of the respective leases in proportion to the lease rentals.

(g) **Turnover**
Turnover represents sales of computer software packages, and other related income, net of sales taxes.

(h) **Research and development**
Research and development expenditure is written off as it is incurred.

(i) **Pension funds**
Premiums and contributions to pension funds are charged to the profit and loss account when they are paid.

(j) **Foreign currency translations**
Foreign currency transactions arising during the year are translated into pounds sterling at the approximate rates of exchange ruling at the time they arise. Assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. Exchange gains or losses are credited or charged to the profit and loss account.

7. PROFIT AND LOSS ACCOUNTS

The profit and loss accounts of the Group for the five financial periods from the date of incorporation of Compsoft Limited to 31st March 1984, after making appropriate adjustments to the audited accounts, are set out below:

	27th September 1978 to 31st March 1984				
	1980	1981	1982	1983	1984
Turnover	8,314	42,704	252,533	749,634	1,328,641
Cost of sales	(231)	(11,662)	(36,863)	(76,891)	(148,939)
Gross profit	8,083	31,042	215,670	672,743	1,179,702
Distribution costs	(201)	(1,798)	(3,688)	(18,663)	(43,515)
Administrative costs	(4,471)	(26,964)	(133,890)	(384,124)	(549,154)
Bank deposit interest	4,411	2,880	88,092	259,858	587,033
Interest payable on mortgage and other financing charges	—	—	1,648	2,313	9,734
Profit before taxation	4,411	2,880	89,740	245,479	543,189
Taxation	(3,138)	(987)	(36,226)	(133,789)	(215,776)
Retained profit	£2,273	£1,893	£53,514	£111,690	£327,413
Earnings per share	0.03p	0.02p	0.76p	1.60p	4.88p

Notes on the profit and loss accounts

(a) **Administrative costs** included the following:

	27th September 1978 to 31st March 1984				
	1980	1981	1982	1983	1984
Depreciation of fixed assets	1,758	3,057	9,093	21,312	30,439
Amount set aside for provision of pensions — Directors	—	—	25,000	25,000	—
— Staff	—	—	—	—	1,387
Directors' emoluments	—	6,730	17,000	24,000	45,000
Auditors' remuneration	250	900	950	2,000	6,000

(b) Taxation was based on the results of the Group for each period. It comprised the following:

	27th September 1978 to 31st March 1984				
	1980	1981	1982	1983	1984
UK corporation tax	—	31	28,442	128,068	7,459
Deferred taxation	2,138	956	7,784	5,723	208,317
Total taxation	£2,138	£987	£36,226	£133,789	£215,776

(c) Earnings per share have been calculated throughout on the basis of profit after taxation and of 7,000,000 shares, being the 1,000 shares of £1 each in issue at 31st March 1984 adjusted for the capitalisation issues and reorganisation of capital since that date.

8. BALANCE SHEETS

The balance sheets of the Company and the Group at 31st March 1984 after making appropriate adjustments to the audited financial statements are set out below:

	Notes	The Company		The Group	
		31st March 1984	31st March 1984	31st March 1984	31st March 1984
Fixed assets					
Property, vehicles and other equipment	(a)	504,464	660,166		
Investment in subsidiary	(b)	482,380	—		
		986,844	660,166		
Current assets					
Investment in finance leases	(c)	—	54,376		
Stocks		—	10,000		
Trade debtors		—	394,004		
Other debtors and prepayments		80,000	167,514		
Deferred taxation	(d)	2,100	—		
Bank balances and cash		—	90,941		
		82,100	717,135		

Current liabilities			
Loans and overdrafts repayable within one year	(d)	23,888	58,321
Creditors		7,686	75,751
Corporation tax		7,837	151,377
		39,391	285,458
Net current assets		42,709	430,676
Total assets less current liabilities		1,039,553	1,050,642
Loans repayable after more than one year	(e)	(542,870)	(365,241)
Deferred taxation	(f)	—	(224,918)
Attributable to shareholders of the Company		£496,683	£460,483
Representing			
Share capital	(g)	1,000	1,000
Reserves	(h)	495,683	459,483
		£496,683	£460,483

Notes on the balance sheets

(a) Property, vehicles and other equipment were stated at cost less accumulated depreciation as follows:

	The Company		The Group	
	31st March 1984	31st March 1984	31st March 1984	31st March 1984
Freehold property at cost	510,000	510,000		
Aggregate depreciation	(5,838)	(5,536)		
	504,162	504,464		
Vehicles, computers and other equipment at cost	—	211,953		
Aggregate depreciation	—	(56,251)		
	—	155,702		
Total	£504,162	£660,166		

(b) Investment of the Company in its subsidiary, Compsoft Limited, comprised shares at a valuation based on the book value of the net assets of the subsidiary at 31st March 1984.

(c) Investment in finance leases comprised the following:

	The Company	The Group
	31st March 1984	31st March 1984
Capital expended on leased assets	659,523	659,523
Less: proportion financed by loans	(605,147)	(605,147)
Net investment in finance leases	£54,376	£54,376

The lease rentals receivable are matched to and offset by the repayments due on the loans. The loans are secured on the related equipment.

Net investment to be amortised within one year: 18,125
Net investment to be amortised after more than one year and within five years: 36,251
Total: £54,376

The leases provide the Group with a beneficial cash flow after taking account of taxation, and the interest earned on the investment of the resultant funds will be included in the profit and loss account as it arises.

(d) Loans and overdrafts repayable within one year comprised the following:

	The Company	The Group
	31st March 1984	31st March 1984
Hire purchase commitments — current portions	—	20,102
Mortgage loan (secured) — current portion	21,010	21,010
Bank overdrafts (secured)	2,678	17,209
	£23,688	£58,321

(e) Loans repayable after more than one year comprised the following:

	The Company	The Group
	31st March 1984	31st March 1984
Loan from subsidiary	220,880	—
Hire purchase commitments	—	47,251
Mortgage loan (secured)	321,980	321,980
	£542,870	£369,241

The subsidiary has agreed not to call for repayment of the loan within the next twelve months. The hire purchase commitments are payable by instalments to 1988. The mortgage loan is secured by a fixed charge on the Company's freehold property and there are remaining to be paid 9 instalments of varying amounts due November 1984 and annually thereafter as scheduled below. Interest is charged at 24 per cent over LIBOR. The Company's bankers also have a floating charge over the other assets of the Group except the leased assets. The mortgage loan is repayable as follows:

	£
In more than one and not exceeding two years	18,680
In more than two and not exceeding five years	65,380
In more than five years	237,930
	£321,980

(f) Deferred taxation provided in the financial statements, and the total potential liability (including the amounts for which provision has been made), were as follows:

	The Company	The Group
	31st March 1984	31st March 1984
Taxation capital allowances in excess of depreciation charges	—	35,697
Taxation capital allowances on leased assets	—	191,471
Other timing differences	(2,100)	(2,250)
	£(2,100)	£224,918

The provision for deferred taxation has been based upon the latest known projected tax rates and upon an estimate of the years in which the liabilities will arise.

(g) The issued share capital of the Company comprised 1,000 ordinary shares of £1 each, credited as fully paid.

(h) The reserves of the Group arose as follows:

	27th September 1978 to 31st March 1984				
	1980	1981	1982	1983	1984
Total reserves at beginning of period	—	2,273	3,966	58,580	182,270
Retained profits	2,273	1,893	53,514	111,690	327,413
Applied in bonus issue	—	—	(900)	—	—
At end of period	£2,273	£3,966	£56,580	£168,270	£495,683

Reserves comprised the following:

	The Company	The Group
	31st March 1984	31st March 1984
Retained profits	4,303	495,683
Surplus on revaluation of investment in subsidiary	491,380	—
	£495,683	£495,683

(i) Capital commitments

Proposed capital expenditure was as follows:

	The Company	The Group
	31st March 1984	31st March 1984
Contracted for but not provided:	£—	£36,500
Authorised but not contracted:	£—	£37,500

9. STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The source and application of funds of the Group for the five financial periods to 31st March 1984, were as set out below:

	27th September 1978 to 31st March 1984				
	1980	1981	1982	1983	1984
SCOURCE OF FUNDS:					
From operations:					
Profit before taxation	4,411	2,880	89,740	245,479	543,189
Items not involving the movement of funds:					
Depreciation	1,758	3,057	9,093	21,312	30,439
Losses/(gains) on disposal of fixed assets	—	—	—	550	(57)
Total generated from operations	6,169	5,737	98,833	267,341	573,061
Other sources of funds:					
Share capital issued	100	—	—	—	—
Proceeds on sale of fixed assets	—	—	—	1,460	10,644
Mortgage and other loans	—	—	—	342,273	26,568
Total source of funds	6,269	5,737	98,833	611,064	610,673
APPLICATION OF FUNDS:					
Purchase of fixed assets	7,034	5,190	31,866	565,855	127,957
Taxation paid	—	—	—	2,031	10,590
	7,034	5,190	31,866	567,886	138,547
NET SOURCE/(APPLICATION) OF FUNDS	£(765)	£547	£66,967	£43,178	£472,126
INCREASE/(DECREASE) IN WORKING CAPITAL					
Net investment in finance leases	—	—	—	—	54,376
Increase/(decrease) in stocks	—	—	10,600	3,078	(3,678)
Increase in debtors	1,811	12,019	76,010	137,499	334,479
(Increase)/decrease in creditors	(2,766)	(9,683)	(50,860)	(106,157)	50,593
	(985)	2,336	35,750	35,420	435,770
Movement in net liquid funds					
Increase/(decrease) in bank balances and cash	190	(190)	29,618	7,758	53,563
(Increase)/decrease in overdraft	—	(1,599)	1,599	—	(17,209)
	£(765)	£547	£66,967	£43,178	£472,126

Yours faithfully,
DELOITTE HASKINS & SELLS
Chartered Accountants

Statutory and General Information

1. The Company

(1) The Company was incorporated on 21st January 1982 as a private company under the Companies Act 1948 to 1980 with number 1608395 and with the name Meccles Limited. On incorporation, the Company had an authorised share capital of £100 divided into 100 shares of £1 each, of which two shares were issued for cash at par to the subscribers of the memorandum of association.

(2) On 1st April 1982, the authorised share capital was increased to £1,000 divided into 1,000 ordinary shares of £1 each and 998 ordinary shares of £1 each were allotted at par, credited as fully paid, to the holders of the whole of the issued share capital of Compsoft Limited in consideration for the acquisition of their shareholdings in that company.

(3) On 16th November 1983, the Company changed its name to Compsoft Holdings Limited.

(4) By or pursuant to a special resolution dated 4th June 1984:

(a) the authorised share capital was increased to £50,000 by the creation of 49,000 new ordinary shares of £1 each;

(b) £49,000 was capitalised and applied in paying up in full 49,000 ordinary shares of £1 each all of which were allotted in due proportion to the persons whose names were then on the register; and

(c) the Company was re-registered as a public limited company under section 5 of the Companies Act 1980 with the name Compsoft Holdings plc.

(5) By or pursuant to a special resolution dated 22nd June 1984:

(a) the authorised share capital was reorganised and increased to £50,063.25 divided into 1,001,265 ordinary shares of 5p each; and

(b) 1,265 ordinary shares of 5p each were issued for cash at 125p per share to employees of the Company.

(6) On 11th July 1984, the authorised share capital was increased to £500,000 divided into 10,000,000 ordinary shares of 5p each and, conditionally upon the grant of permission to deal in the Unlisted Securities Market in the ordinary share capital of the Company not later than 25th July 1984, the following further changes were made in the issued share capital:

(a) 991,145 ordinary shares of 5p each were allotted to Kleinwort, Benson Limited at the striking price; and

(b) £300,379.50 was capitalised and applied in paying up in full 6,007,590 ordinary shares of 5p each, all of which have been allotted in due proportion to the persons whose names were then on the register.

2. Subsidiary

(1) The only subsidiary of the Company is Compsoft Limited which was incorporated in England on 27th September 1978 and has an issued share capital of £1,000. The principal activities of the subsidiary are the design, development, production and distribution of database management software.

(2) The subsidiary is a private company and wholly owned by the Company. There has been no change in the authorised or issued share capital of the subsidiary within the two years immediately preceding the publication of this document.

3. Articles of association

The articles of association of the Company contain provisions, *inter alia*, to the following effect:

(1) **Votes of Members**
Subject to disenfranchisement in the event of non compliance with a statutory notice requiring disclosure as to beneficial ownership, every member who (being an individual) is present in person or (being a corporation) is present by duly authorised representative or proxy shall, on a show of hands, have one vote and on a poll every member shall have one vote for every share of which he is the holder.

(2) **Variation of Rights**
All or any of the rights or privileges attached to any class of share may, subject to the Companies Acts, be varied or abrogated either with the consent in writing of the holders of at least three quarters of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

(3) **Directors**
(a) No shareholding qualification is required by a director.
(b) A director shall not vote on any resolution concerning a matter in which he has any material interest or duty which conflicts or may conflict with the interests of the Company and shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote. However, a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates to:

COMPSOFT HOLDINGS plc

- (i) the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiaries;
 - (ii) the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the director has assumed responsibility in whole or part or whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) a proposal concerning the offer of any shares, debentures or other securities of the Company or any of its subsidiaries, for subscription or purchase, in which he is or is to be interested as a participant in the underwriting or the sub-underwriting thereof;
 - (iv) a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes;
 - (v) any arrangement for the benefit of the employees under which the director benefits in a similar manner as the employees, and which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates; and
 - (vi) any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which he has interest as derived) or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances).
- (c) The provisions of section 185 of the Companies Act 1948 (retirement of directors at age 70) apply to the Company.
- (d) The directors shall, for their services as directors, be entitled to such annual remuneration as they may determine (not exceeding a sum of £10,000 for each director or such larger amount as the Company may by ordinary resolution decide). Any director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director may be paid such extra remuneration by way of salary, participation in profits or otherwise as the directors may determine.
- (e) The directors may from time to time appoint any one or more of their body to be the holder of any executive office on such terms as they think fit, and may revoke or vary such appointment. The appointment of a director to any executive office as aforesaid shall automatically be terminated if he ceases for any reason to be a director. Any revocation or termination of any such appointment shall be without prejudice to any claim for breach of any contract between the director and the Company. A director so appointed shall not be subject to retirement by rotation and shall not be taken into account in determining the rotation of directors, and shall receive such remuneration (whether by way of salary, commission, participation in profits and partly in one way and partly in another or others, or otherwise) as the directors may determine.
- (4) **Borrowing Powers**
The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and to issue debentures and other securities. The directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that, save with the previous sanction of an ordinary resolution, no monies shall be borrowed if the aggregate principal amount (including any fixed or minimum premium payable on final repayment) outstanding of all monies borrowed by the Group (excluding amounts borrowed by any member of the Group from any other member of the Group) then exceeds or would as a result of such borrowing exceed an amount equal to twice the aggregate of:
(a) the amount paid up on the share capital of the Company; and
(b) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the combined profit and loss account but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiaries of the Company and deducting any debit balance on the combined profit and loss account).

4. Directors' and other interests

- (1) The Directors are expected to be interested, in each case beneficially, in the following numbers of ordinary shares of the Company immediately after the Offer for Sale but disregarding any shares which might be acquired under the Offer for Sale:—
- | | | |
|--------------------|-----------|----------|
| P. N. Horgan | 2,820,000 | (38.42%) |
| H. L. Kearsley | 2,780,000 | (36.58%) |
| J. Miller | 700 | (0.01%) |
| Prof. D. V. Canter | — | — |
- (2) Save as disclosed above, the Directors are not aware of any shareholding which will represent more than 5 per cent. of the issued share capital of the Company immediately after the Offer for Sale.
- (3) Save as disclosed in (6) below, no Director has, or has had, any interest in any assets which, within two years before the date hereof, have been, or which are proposed to be, acquired or disposed of by, or leased to the Company or its subsidiary and, save as aforesaid, no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Group, taken as a whole.
- (4) The aggregate emoluments of the Directors for the year ended 31st March 1984 amounted to £45,000. For the year ending 31st March 1985 they are expected to amount to £72,000.
- (5) Under the offer for sale agreement referred to in paragraph 6 below, the Directors have undertaken not to deal in the ordinary shares of the Company prior to the date on which the audited accounts of the Company for the financial period ending in 1985 are laid before the Company in general meeting without the prior written consent of Kleinwort, Benson Limited.
- (6) Prof. D. V. Canter is a shareholder and director of Interlogos Limited, a company which has agreed to provide certain market research and product development services to Compssoft for a fee which will not exceed £10,000.

5. Service agreements

Each of the Directors other than Prof. D. V. Canter has a service agreement with the Company running for two years from 11th July 1984 under which the current annual basic salaries are as follows:

P. N. Horgan	£18,000
H. L. Kearsley	£18,000
J. Miller	£17,000

6. Offer for sale agreement

Under contract (c) in paragraph 7 below, Kleinwort, Benson Limited has agreed subject, *inter alia*, to the Council of The Stock Exchange granting not later than 25th July 1984 permission for the ordinary share capital of the Company to be dealt in on the Unlisted Securities Market, to purchase from P. N. Horgan and H. L. Kearsley a total of 1,300,000 ordinary shares of 5p each at a minimum price of 117p per share and to offer for sale those shares and the 591,145 ordinary shares mentioned in paragraph 1(b)(a) above at a minimum price of 120p per share. Under this contract, Kleinwort, Benson Limited will receive from the Company a fee and a commission of 2% of the minimum price in respect of the 591,145 new ordinary shares. Out of this fee and commission Kleinwort, Benson Limited will pay fees to the brokers.

7. Material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into within the two years immediately preceding the date hereof and are, or may be, material:

- (a) dated 16th August 1983 between (1) Coutts Finance Co. and (2) the Company being a facility letter for £350,000 in connection with the purchase of Hallams Court (the obligations under which were secured by a legal mortgage dated 16th November 1982);
- (b) dated 18th August 1982 between (1) Apus Properties Limited and (2) the Company being the contract for the purchase of Hallams Court for £510,000 (which property was transferred to the Company on 16th November 1982);
- (c) dated 11th July 1984 between (1) the Directors, (2) P. N. Horgan and H. L. Kearsley, (3) Kleinwort, Benson Limited and (4) the Company being the offer for sale agreement referred to in paragraph 6 above.

8. Taxation

- (1) The Directors have been advised that, immediately after completion of the offer for sale agreement, the Company will continue to be a close company within the meaning of the Income and Corporation Taxes Act 1970.

- (2) Pursuant to the offer for sale agreement P. N. Horgan and H. L. Kearsley have given to Kleinwort, Benson Limited and the Company the usual indemnities in respect of taxation liabilities.

9. General

- (1) No share or loan capital of either company in the Group is under option or agreed conditionally or unconditionally to be put under option.
- (2) Save as disclosed in paragraph 1 above, no share or loan capital of either company in the Group has been issued since 11th July 1982 or is agreed or is proposed to be issued either for cash or otherwise.
- (3) Save as disclosed in paragraph 6 above, no commissions, discounts, brokerages or other special terms have been granted by either company in the Group since 11th July 1982 in connection with the issue or sale of any part of the share or loan capital thereof.
- (4) The expenses (exclusive of value added tax) payable by the Company relating to the Offer for Sale and to the application to the Council of The Stock Exchange for permission to deal in the ordinary shares of the Company in the Unlisted Securities Market are estimated to amount to £280,000.
- (5) The minimum amount which, in the opinion of the Directors, must be raised by the issue of the 591,145 new ordinary shares comprised in the Offer for Sale to provide for the matters referred to in paragraph 4(a) of Part I of the Fourth Schedule to the Companies Act 1948 is as follows: (i) £ nil; (ii) £ nil; (iii) £ nil; and (iv) £449,000.
- (6) The Group has no litigation or claims of material importance pending or threatened against it and no facts are known to the Directors which are likely to give rise to any such litigation or claims.
- (7) There has been no material change in the trading or financial position of the Group since 31st March 1984.
- (8) No material issue of shares (other than to shareholders pro rata to existing holdings) will be made within one year without the prior approval of the Company in general meeting.
- (9) 2,400,000 ordinary shares (24%) will remain authorised but unissued following the Offer for Sale. No issue of shares will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of the Company in general meeting.
- (10) Financial information contained in the accountants' report does not amount to full individual accounts within the meaning of section 11 of the Companies Act 1981. Full individual accounts relating to each accounting reference period to which the financial information relates have been delivered to the Registrar of Companies. The auditors have made a report under section 14 of the Companies Act 1967 in respect of each such set of accounts, and each such report was an unqualified report within the meaning of section 43 of the Companies Act 1980.
- (11) Deloitte Haskins & Sells have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report, together with the references thereto and to their name in the form and context in which they appear.
- (12) The above-mentioned consent, a statement of the adjustments made by Deloitte Haskins & Sells at arriving at the figures set out in their report and the reasons for them and copies of the contracts referred to in paragraph 7 above and of the application forms were attached to the copies of this document delivered to the Registrar of Companies for registration.

10. Documents for inspection

The offer for sale agreement and copies of the following documents may be inspected at the offices of Herbert Smith & Co. Watling House, 35/37 Cannon Street, London EC4M 5SD, during usual business hours on any weekday (Saturdays excepted) for a period of 14 days from the date of this document:

- (a) the memorandum and articles of association of the Company;
- (b) the audited financial statements of the Company for the two years ended 31st March 1984 and of Compssoft Limited for the three years ended 31st March 1984;
- (c) the accountants' report and the statement of adjustments referred to above;
- (d) the service agreements referred to in paragraph 5 above;
- (e) the material contracts referred to in paragraph 7(a) and (b) above; and
- (f) the written consent referred to in paragraph 9(1) above.

Dated 11th July 1984

Procedure for Application

1. Applications must be made on the accompanying application form at the minimum tender price of 120p per share or at any higher price per share being a whole multiple of 5p.
2. Applications must be for a minimum of 200 shares and thereafter at the following multiples of shares:

— for not more than 2,000 shares	200 shares
— for more than 2,000 shares but not more than 5,000 shares	500 shares
— for more than 5,000 shares but not more than 10,000 shares	1,000 shares
— for more than 10,000 shares but not more than 50,000 shares	5,000 shares
— for more than 50,000 shares	10,000 shares
3. Applications must be lodged with National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD, or posted so as to arrive in either case not later than 10 a.m. on Thursday, 19th July 1984 (being the time of opening of the application list).
4. Each application must be accompanied by a separate cheque or banker's draft drawn in sterling on a branch (in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses (and which must bear the appropriate sorting code number in the top right hand corner) made payable to National Westminster Bank PLC and crossed "Compssoft — Not Negotiable", representing payment in full at the application price. The right is reserved to present all cheques for payment and to retain Letters of Acceptance and surplus application money pending clearance of the successful applicants' cheques and to reject any application in whole or in part and in particular multiple or suspected multiple applications. Applications from the same person at different prices will not be regarded as multiple applications. Due completion and delivery of an application form accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation; attention is drawn to the declaration in the application form to that effect. Applications will be irrevocable until 27th July 1984. Photostat copies of application forms will not be accepted.
5. No person receiving a copy of this document or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation to him, nor should he in any event use such form, unless in the relevant territory such an invitation could lawfully be made to him or such form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder should satisfy himself as to observance of the laws of any relevant territory, including obtaining any requisite governmental or other consents and observing any other requisite formalities.

Basis of acceptance

Applications complying with the above procedure will be dealt with on the following basis:—

1. All shares for which applications are wholly or partly accepted will be sold at the same price (the "Striking Price"), which will be not less than the minimum tender price of 120p per share.
2. If applications are received for more than the total number of shares offered, the Striking Price will not exceed the highest price at which sufficient applications (including applications at above that price) are received for the total number of shares offered but may be a price lower than such highest price. If applications are received for fewer shares than the total number offered, the Striking Price will be the minimum tender price of 120p per share. Subject to the foregoing, Kleinwort, Benson Limited will have absolute discretion in deciding the Striking Price and the basis of allocation. In so deciding, Kleinwort, Benson Limited will have regard to the need to establish a satisfactory market in the shares. No allocation will be made in respect of applications, whether preferential or otherwise, at prices below the Striking Price.
3. Up to 50,000 shares which will be allocated at the Striking Price are reserved in the first instance for applications from employees (including Directors other than P. N. Horgan and H. L. Kearsley) of the Company and its subsidiary. Such

applications must be made on the special pink application forms which are being made available to such employees. They will be permitted to apply at the Striking Price (rather than tendering a specific price) stating a maximum aggregate purchase price and, if they wish, a maximum Striking Price. In the event of excess applications being received from employees, the basis of allocation among them will be determined by Kleinwort, Benson Limited at its absolute discretion.

4. The Offer for Sale by Tender is conditional on the grant by the Council of The Stock Exchange of permission to deal in the Company's ordinary shares, in the Unlisted Securities Market on or before 25th July 1984. Money paid in respect of all applications will be returned without interest if such permission is not granted and in the meantime will be retained by National Westminster Bank PLC in a separate account.
5. The Striking Price and the basis of allocation will be announced on or as soon as possible after 19th July 1984. Renounceable Letters of Acceptance are expected to be despatched by 25th July 1984. If any application is not accepted, or is accepted for fewer shares than the number applied for, or is accepted at a lower price than that tendered, the application money or the balance of the amount paid on application will be returned without interest by cheque through the post.
6. Letters of Acceptance will be renounceable until 3 p.m. on 23rd August 1984. The shares now being offered for sale will be registered free of stamp duty in the names of the purchasers or persons in whose favour Letters of Acceptance have been announced, provided that in the case of renunciation, Letters of Acceptance duly completed in accordance with the instructions contained therein are lodged for registration at or before 3 p.m. on 23rd August 1984. Share certificates will be despatched by first class post by 20th September 1984.
7. All cheques and documents sent by post will be sent at the risk of the persons entitled thereto.
8. Dealings in the ordinary shares of the Company are expected to commence on Thursday, 26th July 1984.

Copies of this document with application forms may be obtained from:

Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB	Lawrence, Frost & Co., Basildon House, 7-11 Moorgate, London EC2R 6AH	National Westminster Bank PLC, New Issues Department, 2 Princes Street, London EC2P 2BD
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Outside London, copies are available from the following branches of National Westminster Bank PLC:

Birmingham Colmore Centre 103 Colmore Row	Cardiff 117 St. Mary Street	Edinburgh 80 George Street	Glasgow 14 Blythswood Square
Godalming 77 High Street	Guildford 135 High Street	Leeds 8 Park Row	Manchester 55 King Street

Application form

THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10 A.M. ON THURSDAY, 19th JULY 1984 AND MAY BE CLOSED AT ANY TIME THEREAFTER. This form should be completed and forwarded to National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD, with a cheque/banker's draft representing payment in full at the application price, so as to arrive not later than 10 a.m. on Thursday, 19th July 1984. Cheques/banker's drafts, which must be drawn on a bank in and be payable in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, must be made payable to "National Westminster Bank PLC" and be crossed "Compssoft—Not Negotiable" and are liable to be presented for payment on receipt. A separate cheque/banker's draft must accompany each application. No application will be considered unless these conditions are fulfilled.

Applicants are advised to use first class post and to allow at least two days for delivery.

COMPSOFT HOLDINGS plc

(Incorporated in England under the Companies Acts 1948 to 1980 No. 1608895)

Offer for Sale by Tender

by
Kleinwort, Benson Limited

of 1,891,145 ordinary shares of 5p each at a minimum tender price of 120p per share, the price tendered being payable in full on application

*Applications must be for a minimum of 200 shares and thereafter as follows:

for not exceeding 2,000 shares	200 shares
5,000 shares	500 shares
10,000 shares	1,000 shares
50,000 shares	5,000 shares
thereafter	10,000 shares

*The price per share at which application is made must be indicated here and must be 130p or a higher price being a whole multiple of 5p.

FOR OFFICE USE ONLY	
Acceptance No.	
Shares Allotted	
Amount Paid	£
Amount Due	£
Amount Returned	£
Cheque No.	

To: KLEINWORT, BENSON LIMITED
I/We enclose a sterling cheque/banker's draft payable to National Westminster Bank PLC for the above mentioned sum, being the amount payable in full on application for the stated number of shares in Compssoft Holdings plc (the "Company") at the price per share indicated above, and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted at the Striking Price upon the terms of the Offer for Sale document dated 11th July 1984 and subject to the memorandum and articles of association of the Company. I/We request that you send to me/us a fully paid renounceable Letter of Acceptance in respect of such shares, together with a cheque for any amount overpaid, by post at my/our risk to my/our address first given below. I/We authorise you to procure my/our names to be placed on the register of members of the Company as the holder(s) of the shares so purchased by me/us the right to which has not been effectively renounced.

In consideration of your agreeing to accept applications upon the terms and subject to the conditions of the said Offer for Sale document, I/we agree that this application shall be irrevocable until 27th July 1984 and that this paragraph shall constitute a collateral contract between me/us and you which shall become binding upon receipt of this application form duly completed by National Westminster Bank PLC, New Issues Department.

I/We understand that the completion and delivery of this application form accompanied by a cheque constitutes a warranty that the cheque will be honoured on first presentation, and I/we acknowledge that any allocation to me/us is strictly on that understanding. I/We also acknowledge that renounceable Letters of Acceptance and cheques for excess application money are liable to be held pending clearance of applicants' cheques.

Dated _____ July 1984. I, Signature _____

Please use Block capitals
— Surname(s) (in full)
— Surname and designation (Mr., Mrs., Miss or Title)
— Address (in full)

(In the case of joint applications all further applicants must sign and complete below)

Please get your cheques/banker's drafts ready

2. Signature _____	Surname and designation _____
Forename(s) (in full) _____	(Mr., Mrs., Miss or Title) _____
Address (in full) _____	
3. Signature _____	Surname and designation _____
Forename(s) (in full) _____	(Mr., Mrs., Miss or Title) _____
Address (in full) _____	
4. Signature _____	Surname and designation _____
Forename(s) (in full) _____	(Mr., Mrs., Miss or Title) _____
Address (in full) _____	

A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.
If this form is signed under a Power of Attorney, such Power of Attorney must accompany this form.
No receipt will be issued for the payment on application, but an acknowledgment will be forwarded through the post in the course, either by a fully paid Letter of Acceptance for the shares allotted and a cheque for any surplus application money, or by the return of the application money, in each case at the risk of the person(s) entitled thereto.

Handwritten signature or mark at the bottom center of the page.

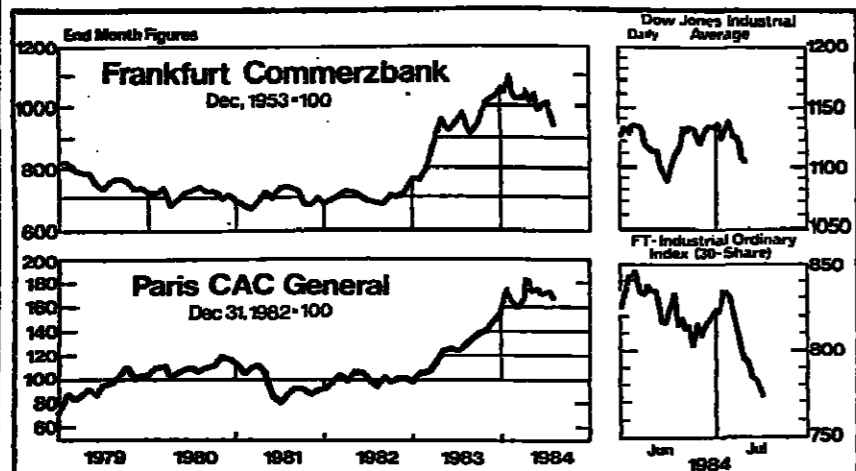
SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Friday July 13 1984

NEW YORK STOCK EXCHANGE 34-36
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INTERNATIONAL CAPITAL MARKETS 44

KEY MARKET MONITORS



STOCK MARKET INDICES			
	July 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,104.57	1,108.55	1,198.52
DJ Transport	464.30	468.87	588.19
DJ Utilities	125.00	125.05	128.97
S&P Composite	150.03	150.56	165.53
LONDON			
FT Ind Ord	771.1	782.0	688.2
FT-SE 100	591.4	1,001.7	535.0
FT-A All-share	464.9	471.2	436.29
FT-A 500	501.08	509.17	472.93
FT Gold mines	539.8	532.8	655.7
FT-A Long gilt	11.33	11.33	10.87

CURRENCIES			
	July 12	Previous	July 12
U.S. DOLLAR			
(London)			
\$	2.849	2.8405	3.7226
DM	242.6	242.1	317.25
Yen	8.735	8.71	11.415
SwFr	2.408	2.4005	3.1475
Guilder	3.213	3.206	4.20
Lira	1751.0	1744.0	2288.0
BFR	57.775	57.675	75.5
CS	1.3348	1.3325	1.744

INTEREST RATES			
	July 12	Previous	Prev
Euro-currencies			
(3-month offered rate)			
£	12 3/4	12	
SwFr	4 1/4	4 1/4	
DM	5 1/4	5 1/4	
FFr	12	11 3/4	

U.S. BONDS			
	July 12	Prev	Yield
Treasury			
13 1986	100 1/2	12.83	99 1/2
13% 1991	101 1/2	13.45	100 1/2
13% 1994	98 1/2	13.44	97 1/2
13% 2014	100 1/2	13.10	99 1/2
Corporate			
AT & T			
10% June 1990	86 1/2	13.80	86 1/2
3% July 1990	71	10.55	71
8% May 2000	67 1/2	13.85	67 1/2
Xerox			
10% March 1993	83 1/2	14.00	83 1/2
Diamond Shamrock			
10% May 1993	82 1/2	14.15	82 1/2
Federated Dept Stores			
10% May 2013	76 1/2	14.05	76 1/2
Abbott Lab			
11.80 Feb 2013	84 1/2	14.05	84 1/2
Alcoa			
12% Dec 2012	84 1/2	14.50	84 1/2

FINANCIAL FUTURES			
	Latest	High	Low
CHICAGO			
U.S. Treasury Bonds (CBT)			
8% 32nds of 100%	82-17	82-18	81-30
\$1m points of 100%	89.26	89.28	89.21
U.S. Treasury Bills (TMM)			
\$1m points of 100%	89.26	89.28	89.21
Certificates of Deposit (TMM)			
\$1m points of 100%	87.78	87.79	87.55
Sept	87.78	87.79	87.55
LONDON			
Three-month Eurodollar			
\$1m points of 100%	87.53	87.55	87.41
Sept	87.53	87.55	87.41
20-year National Call			
£50,000 32nds of 100%	99-01	99-06	98-16
Sept	99-01	99-06	98-16

COMMODITIES			
	July 12	Prev	Change
(London)			
Silver (spot fixing)	555.40p	552.05p	
Copper (cash)	£1008.50	£997.50	
Coffee (July)	£2198.50	£2215.00	
Oil (spot Arabian Light)	\$27.75	\$27.75	

WALL STREET

Tone turns brighter but revival slow

THE BOND markets turned higher on Wall Street yesterday in response to an initial dip in the federal funds rate and in anticipation of the fall in the M1 money supply total, which was confirmed late in the session, writes Terry Byland in New York.

There was little increase in buying support for bonds and the stock market could make no recovery from the setback of the previous session, however. The stock market was depressed throughout the session and attempts to rally proved unsuccessful. At the close, when the federal funds rate edged up to 11 per cent again, the Dow Jones average showed a net fall of 3.98 points to 1,104.57. Turnover of 86m shares compared with 89.5m on the previous day.

The flow of second-quarter earnings from major corporations made a muted start, with the stock market subdued after slightly disappointing results from General Electric, as well as the shock dividend cut from ITT. There was little response to the first round of results from the major banks, including Chemical and Marine Midland.

The fall in the federal funds rate to 10 1/2 per cent at mid-morning was significant psychologically since many credit market specialists believe that the Federal Reserve may have lifted its target range for the funds to between 11 1/2 and 11 3/4 per cent. But the market response was cautious yesterday and bond traders were not making too much of expectations of a fall in M1, since the upward trend in money supply is likely to be resumed in the following week.

Confidence in the stock market was low, with analysts commenting that the sell-off in the wake of ITT's announcement disclosed the market's vulnerability to bad news. The mid-June low of 1,086 on the Dow scale seems likely to be tested again soon.

After rallying from an initial fall, the stock market tried to respond to firmness in bonds, but turned lower again at mid-session.

General Electric, which shed 5 1/4 per cent on Wednesday, gave up a further 8 1/4 per cent to 49 1/2 yesterday as analysts took a slightly cool view of the gain reported on the sale of the Utah International subsidiary.

ITT, still being dealt actively, recovered 5 1/4 per cent of the previous \$10 loss to \$22 1/2. But the cut in income yield continued to lie heavily on the market. Few brokers recommend the shares on a trading basis after the board's warning on profits, but some see ITT as a possible takeover target if the stock price falls any lower.

Also firmer was AT&T, 5 1/4 up at \$17 1/2. Teledyne, at \$22 1/2 gained 3 1/2 after reporting higher profits for the second quarter.

The bond market began to edge higher, but there was very little increase in retail demand. The key long bond of 2014 moved above par again, to trade at 100 1/2, a gain of 12/32.

Traders remained unsure of the outlook ahead of next week's meeting of the Federal Open Market Committee. The chances of a tightening in official credit policies are still thought to be high, with an increase in the federal discount rate a possibility.

LONDON Late rally rescues dismal day

A THOROUGHLY demoralised tone remained in London equity markets yesterday. Leading shares sustained a severe early setback and most sectors followed as the market further assessed the implications of interest rate rises.

The bulk of the selling took place just after midday when persistent institutional and public offerings found the market unresponsive.

Measuring the extent of the setback, the FT Industrial Ordinary index was down 23.2 by 2pm but a fairly strong technical rally left it a net 10.9 down at 771.1, making a fall of 49.2 since the move towards dearer credit started last Friday.

Among the index constituents Imperial Group fell 10p to 139p and Thorn EMI 43p to 47p, both following disappointing trading statements.

Store shares, although closing above the day's lowest, were again worst hit on consumer spending fears.

TOKYO Enthusiasm reaches a low ebb

WILTING investor enthusiasm, coupled with the overnight plunge on Wall Street, sent share prices lower almost across the board in Tokyo yesterday, writes Shigeo Nishizaki of Jiji Press.

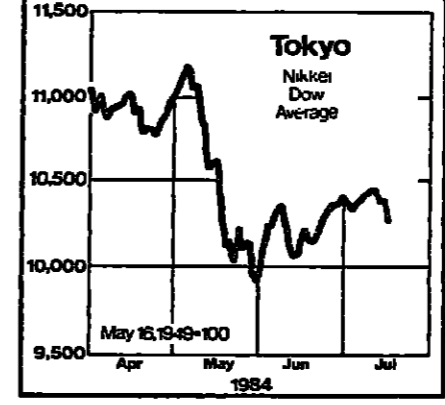
The Nikkei-Dow market average shed 84.72 to 10,270.18 on volume which totalled 333.60m shares, up from 310.92m. Declines outnumbered advances by 482 to 196, with 170 issues unchanged.

Securities companies were surprised at the low enthusiasm. Major brokerage houses stepped up efforts to prevent investors pulling out of the market.

Toshiba, a leading general electric maker, dipped Y3 to Y377 in slim trading, despite its announcement that consolidated after-tax profit and earnings per share in the year to March 31 had hit all-time highs.

Blue chips dropped on a broad front under small-lot selling pressure. Kyocera declined Y110 to Y6,020, TDK Y100 to Y4,630, Fuji Photo Film Y20 to Y1,550 and NEC Y20 to Y1,140. Hitachi and Matsushita Electric Industrial lost Y10 each to Y816 and Y1,640 respectively.

Bond prices firmed slightly as the yen's further drop was offset by the Bank of Japan's offer to buy Y100bn worth of government bonds of between



seven years seven months and nine years left to maturity. However, trading was inactive as city banks and securities houses were busy coping with the central bank's buying operation.

The yield on the benchmark 7.5 per cent long-term government bond, maturing in January 1993, fell to 7.485 per cent at one point but later rose to 7.490 per cent, compared with parity the previous day.

HONG KONG

PRESSURE abated in Hong Kong as the conclusion of the latest round of Sino-British talks brought no immediate cause for further severe setbacks in a market heavily sold over the past fortnight.

Nonetheless, the Hang Seng index was able to firm a negligible 0.17 to 763.78, and many leading issues did emerge lower still - among them Jardine Matheson with a 15-cent fall to HK\$5.85.

But Cheung Kong added 10 cents to HK\$6.30 and Hongkong Electric 5 cents to HK\$5.10.

SINGAPORE

AN ESCALATION of Singapore losses took the Straits Times industrial index 11.38 lower to 887.18 and left declines with a margin over advances of almost seven to one.

Activity, although still light, picked up somewhat. Pan Electric as volume leader shed 3 cents to S\$2.16, while high turnover in OCBC took the bank 20 cents down to S\$9.25. Pahang Consolidated, also busily dealt, eased a cent to S\$1.59.

AUSTRALIA

COMPOSURE was maintained in Sydney, with prospects of major exporters helped by the lower Australian dollar. Residual weakness centred on mining issues while industrials performed better.

BHP slipped 2 cents to A\$4.50, as did Energy Resources at A\$1.53, while Santos on A\$5.66 was 4 cents poorer.

Of the newspaper publishing groups, Mr Rupert Murdoch's News Corporation shed 20 cents to A\$9.30, but Fairfax jumped 40 cents to A\$5.70.

SOUTH AFRICA

TRADING quietened significantly in Johannesburg, leaving gold shares rarely much either side of overnight levels. Industrials, though, remained under some pressure over the interest rate outlook.

Randfontein firmed 50 cents to R170, but St Helena eased that amount to R39.50. Of the mining houses, Anglo-American dipped 10 cents to R22.05 and De Beers put on 8 cents at R8.98.

EUROPE

The dollar remains a deterrent

NO END was seen yesterday to the slide in European share values, with bourse investors again deterred by the strength of the dollar and the outlook for interest rates.

In Frankfurt, where the dollar was again at a 10-year high, shares slipped back to levels not seen since last September. The Commerzbank index dipped a further 13.8 to 941.3 after some sharp early falls in active trading.

However, its mid-session calculation came too early to reflect later bargain-hunting that left values stabilising around the lower levels.

One of the heaviest losers was Preussag, trading ex a DM 8 dividend. It closed DM 18 lower at DM 238.

Among motor manufacturers, VW shed DM 3.20 to DM 172 as it announced that the seven-week metalworkers' strike had cost DM 500m of potential post-tax profit. Daimler fell DM 4 to DM 524, and Porsche DM 2 to DM 943, but BMW added DM 1.50 to DM 361.50.

Insurer Allianz traded ex a DM 10 dividend, closing down that amount at DM 750.

Bonds were barely changed during a nervous session. The Bundesbank, which decided on no change in credit policies at its council meeting, bought a small DM 3.3m of paper after taking up DM 11.2m worth the previous session.

Amsterdam was broadly easier in quiet trading although there, too, some late bargain-hunting developed.

Among banks, ABN's expectations of lower first-half profits depressed the banking sector further, after Wednesday's setback. ABN dropped Fl 7 to Fl 292 though this was Fl 2 above its opening low. NMB fell Fl 4 to Fl 126 but Amro held its loss to 10 cents at Fl 54.40.

Bonds continued to slide on interest rate worries.

Losses among the banking and financial sectors led Zurich lower in moderate turnover. In chemicals, Sandoz was unchanged at SwFr 6,850 as it announced higher first-half sales.

Bonds turned lower.

In Paris, shares were easier with active sellers finding few buyers. Investment interest was said to be cautious ahead of last night's televised speech by President Francois Mitterrand.

Oil was again weak, with Matra down FFr 25 to FFr 1,395, Esso FFr 16 to FFr 720 and Cie Francaise de Raffinage FFr 6.50 to FFr 88.50.

A moderate level of trading took Brussels lower with retailer Delhaize virtually the only stock to rise. It added BFr 20 to BFr 4,870, continuing the improvement seen in recent days.

Chemical stocks continued weaker, with Solvay down BFr 80 to BFr 3,430. Stockholm ended mixed to lower although some foreign demand spurred a SKr 15 rise in Asea to SKr 340.

Madrid was also marginally lower, ending a fortnight of advances, while a narrowly firmer tone was seen in Milan - the market's direction again dictated by technical adjustments ahead of Monday's monthly settlements.

CANADA

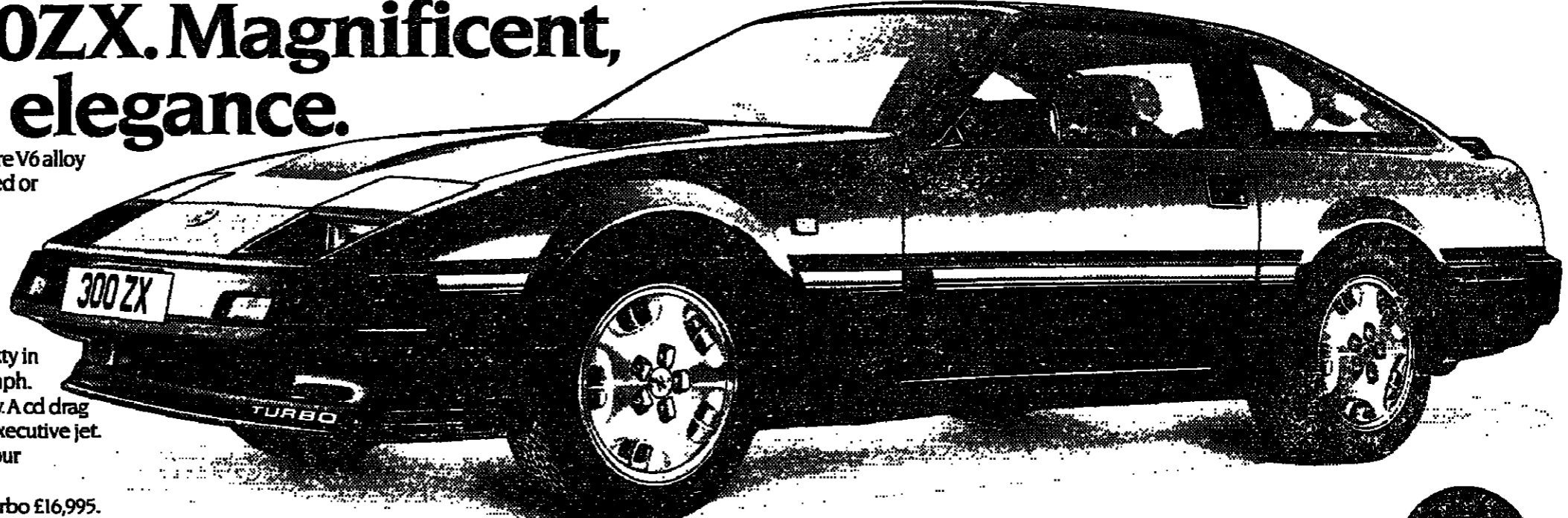
SETBACKS in Toronto centred on the base metals and energy sectors while golds enjoyed something of a revival.

Industrials in Montreal encountered the brunt of selling, but neither banks nor utilities were able to make much headway.

Nissan 300ZX. Magnificent, race-bred elegance.

The car that dreams are made of. 3 litre V6 alloy engine. Smooth and very powerful. 5-speed or automatic. Cruise control, power steering, electric windows, electric mirrors, superb seek and scan stereo radio/cassette, pushing 50 watts through four speakers. Targa roof to ruffle your hair on warm, sunny days. And if 170 bhp is not enough, take the 228 bhp Turbo version. A silent sixty in 6.8 seconds, streaking on to a potent 155 mph. All round discs to pull you back powerfully. A cd drag factor of only 0.31, for the sleekness of an executive jet. Yours to command as you choose. From your Nissan dealer immediately.

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Table of American Stock Exchange Composite Closing Prices. Columns include 12 Month High/Low, Stock Name, Div. Yld., P/E, 100s High/Low, and Change. Includes sub-sections C-C-C, D-D-D, G-G-G, K-K-K, L-L-L, M-M-M, N-N-N, O-O-O, P-O, S-S-S.

Continued on Page 36

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Table of New York Stock Exchange Composite Closing Prices. Columns include 12 Month High/Low, Stock Name, Div. Yld., P/E, 100s High/Low, and Change. Includes sub-sections V-V-V, W-W-W, X-X-X, Y-Y-Y, Z-Z-Z.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. (Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration.)

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WORLD STOCK MARKETS

AUSTRIA table with columns for stock names, prices, and changes.

GERMANY table with columns for stock names, prices, and changes.

NORWAY table with columns for stock names, prices, and changes.

AUSTRALIA (continued) table with columns for stock names, prices, and changes.

JAPAN (continued) table with columns for stock names, prices, and changes.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

OVER-THE-COUNTER table listing various stocks and their prices.

LONDON Chief prices changes

LONDON table showing price changes for various commodities and currencies.

BELGIUM/LUXEMBOURG table with columns for stock names, prices, and changes.

NETHERLANDS table with columns for stock names, prices, and changes.

SPAIN table with columns for stock names, prices, and changes.

HONG KONG table with columns for stock names, prices, and changes.

SINGAPORE table with columns for stock names, prices, and changes.

DENMARK table with columns for stock names, prices, and changes.

ITALY table with columns for stock names, prices, and changes.

SWITZERLAND table with columns for stock names, prices, and changes.

JAPAN table with columns for stock names, prices, and changes.

SOUTH AFRICA table with columns for stock names, prices, and changes.

FRANCE table with columns for stock names, prices, and changes.

NETHERLANDS table with columns for stock names, prices, and changes.

AUSTRALIA table with columns for stock names, prices, and changes.

JAPAN table with columns for stock names, prices, and changes.

SOUTH AFRICA table with columns for stock names, prices, and changes.

CANADA TORONTO Prices at 2.30 pm July 12 table with columns for stock names, prices, and changes.

CANADA table with columns for stock names, prices, and changes.

CANADA table with columns for stock names, prices, and changes.

CANADA table with columns for stock names, prices, and changes.

CANADA table with columns for stock names, prices, and changes.

MONTREAL Closing prices July 11

MONTREAL table listing closing prices for various stocks.

AMERICAN STOCK EXCHANGE CLOSING PRICES

AMERICAN STOCK EXCHANGE table listing closing prices for various stocks.

W-W-W table

W-W-W table listing various stocks and their prices.

V-V-V table

V-V-V table listing various stocks and their prices.

U-U-U table

U-U-U table listing various stocks and their prices.

W-W-W table

W-W-W table listing various stocks and their prices.

X-Y-Z table

X-Y-Z table listing various stocks and their prices.

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Table with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E. Lists various hotel stocks like Hyatt, Hilton, and Sheraton.

FT LONDON SHARE INFORMATION SERVICE

2 Day Management Training Programmes - Time Manager - Stress Manager. Includes logo for time manager international.

BRITISH FUNDS - "Shorts" (Lives up to Five Years). Table listing various fund names and their performance metrics.

Five to Fifteen Years - Table listing various fund names and their performance metrics.

Over Fifteen Years - Table listing various fund names and their performance metrics.

Undated - Table listing various fund names and their performance metrics.

Index-Linked - Table listing various fund names and their performance metrics.

CORPORATION LOANS - Table listing various loan names and their performance metrics.

COMMONWEALTH AND AFRICAN LOANS - Table listing various loan names and their performance metrics.

LOANS - Table listing various loan names and their performance metrics.

Public Board and Ind. - Table listing various public board and industrial names and their performance metrics.

Financial - Table listing various financial names and their performance metrics.

FOREIGN BONDS & RAILS - Table listing various foreign bonds and rail names and their performance metrics.

AMERICANS

Table listing American stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E. Includes companies like IBM, Microsoft, and Apple.

BEERS, WINES - Cont.

Table listing beer and wine stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building industry, timber, and roads stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

DRAPERY & STORES - Cont.

Table listing drapery and stores stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

ELECTRICALS

Table listing electrical stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

ENGINEERING - Continued

Table listing engineering stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

INDUSTRIALS (Misc.)

Table listing various industrial stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

CANADIANS

Table listing Canadian stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

BANKS, HP & LEASING

Table listing bank, HP, and leasing stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

ENGINEERING

Table listing engineering stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

FOOD, GROCERIES, ETC

Table listing food, groceries, and other stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

ENGINEERING

Table listing engineering stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

HOTELS AND CATERERS

Table listing hotel and caterer stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

HOTELS AND CATERERS

Table listing hotel and caterer stocks with columns: 1984 High, 1984 Low, Stock, Price, % Chg, Div, Yield, P/E.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

PROPERTY—Continued

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

Motors and Cycles

Table of motor and cycle stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

Commercial Vehicles

Table of commercial vehicle stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

Components

Table of component stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

Garages and Distributors

Table of garage and distributor stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

PAPER, PRINTING

Table of paper and printing stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

ADVERTISING

Table of advertising stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

PROPERTY

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

INSURANCES

Table of insurance stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

PROPERTY

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

PROPERTY

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PROPERTY

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, high, low, and volume.

DAIWA BANK logo and contact information for London, Frankfurt, and Osaka offices.

MINES—Continued table listing various mining stocks and their prices.

TINS table listing tin-related stocks and their prices.

MISCELLANEOUS table listing various miscellaneous stocks and their prices.

NOTES section containing financial notes and disclosures.

PLANTATIONS table listing plantation stocks and their prices.

RUBBERS, PAINT OIL table listing rubber and paint oil stocks and their prices.

TEAS table listing tea stocks and their prices.

MINES—Central Rand table listing central rand mining stocks and their prices.

MINES—Eastern Rand table listing eastern rand mining stocks and their prices.

MINES—Far West Rand table listing far west rand mining stocks and their prices.

MINES—O.F.S. table listing O.F.S. mining stocks and their prices.

MINES—Finance table listing finance mining stocks and their prices.

MINES—Diamond and Platinum table listing diamond and platinum mining stocks and their prices.

MINES—Regional & Irish Stocks table listing regional and Irish stocks and their prices.

MINES—Options—3-month call rates table listing 3-month call rates and their prices.

AUTHORISED UNIT TRUSTS

Table of authorised unit trusts including categories like Abbey Unit Tr. Mgrs., British Group-Continued, and various fund names with their respective values and changes.

FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service listing various unit trusts such as Fidelity International, Fidelity UK, and various international and domestic funds.

City of Westminster Assurance

Table of City of Westminster Assurance listing various insurance policies and their details.

INSURANCES

Table of various insurance companies and their services, including Continental Life Insurance, Prudential, and others.

F.T. CROSSWORD PUZZLE No. 5,464

- 1 Mixed native settlement (8)
2 Descending line in melody (6)
3 and 10 Numbers out of order (5, 3)
4 In the medal ordered to be played (9)
5 Descriptive of a great seapower (5)
6 Bird's can do it with their eyes shut (4)
7 She has visited an unlicensed drinking establishment (7)
8 Start of call a xodeller makes at a quiet time (3-4)
9 The position is reversed with the hearth's (4)
10 A rope-spinning display on stage (3)
11 He takes oil lamp out to see a nightingale (9)
12 Adds a piece to the jigsaw - it's right and wrong (4, 2)
13 Major report produced by a V.P. (3, 5)
14 I'll roll round on horseback (6)
15 Plant out in haste (8)
16 A class given by an expert (5)
17 Begotten by mother to be the top (6)
18 Mr Wells' sees no backing to horse he withdraws (5)
19 Journey on such a train can only have one end (3-4)
20 With, no one wants it (3)
21 Where to find a N.E. breeze? (4)
22 Ring net around young bird (8)
23 A clergyman's increases (4)
24 Architect's work bringing a peacage? (9)
25 Involently exceed one's intention? (2, 3, 3)
26 Moved in an unnatural way (8)
27 Hides and sleeps (4)
28 A self-effacing action? (7)
29 A sign of twins (6)
30 In which they work 13 to the dozen (6)
31 Lightweight cat (5)

Crossword puzzle grid with numbers 1-31 indicating starting positions for the clues.

Solution to Puzzle No. 5,464, providing the answers to the crossword clues.

Table of various insurance and financial services, including Equitable, Prudential, and others.

INSURANCE, OVERSEAS & MONEY FUNDS

Table of insurance and overseas funds including Liberty Life Assurance Co Ltd, National Provident Institutions, and various international investment funds.

Table of insurance and overseas funds including Sars & Propper Group, Target Life Assurance Co Ltd, and various international investment funds.

Table of insurance and overseas funds including CAL Investments (100%) Ltd, British Overseas Investment Management, and various international investment funds.

Table of insurance and overseas funds including Marine Midland (CI) Ltd, Standard Life Assurance Co Ltd, and various international investment funds.

Table of money market and bank accounts including Money Market Trust Funds, Money Market Bank Accounts, and various financial services.

OFFSHORE AND OVERSEAS

Table of offshore and overseas funds including Archon Investment Fund SA, Fidelity International, and various international investment funds.

Money Market Trust Funds

Table of Money Market Trust Funds including Malabar Ltd, Royal Trust International, and various financial services.

Money Market Bank Accounts

Table of Money Market Bank Accounts including Aiken House, City Bank, and various financial services.

Money Market Bank Accounts

Table of Money Market Bank Accounts including City Bank, City Bank, and various financial services.

Money Market Bank Accounts

Table of Money Market Bank Accounts including City Bank, City Bank, and various financial services.

Money Market Bank Accounts

Table of Money Market Bank Accounts including City Bank, City Bank, and various financial services.

NOTES: Interest rates are given as a nominal rate and an annual percentage rate adjusted for frequency of interest.

COMMODITIES AND AGRICULTURE

Pechiney to cut aluminium capacity in Europe

PECHINEY, the leading French nationalised aluminium group and the world's third-largest aluminium producer...

Brazil may lift farm trade curbs

THE Brazilian Ministries of Planning, Finance and Agriculture agreed to propose the lifting of restrictions on the import and export of agricultural products...

Fontainebleau sows dubious seed

IT IS probable that the Fontainebleau Summit, which solved to a limited extent the British EEC budget contribution conflict...

Brazil may lift farm trade curbs

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Brazil may lift farm trade curbs

THE Brazilian Ministries of Planning, Finance and Agriculture agreed to propose the lifting of restrictions on the import and export of agricultural products...

Cocoa demand accelerates

DEMAND FOR cocoa is increasing faster than expected in Britain and West Germany, it was reported yesterday.

World sugar values drop

WORLD SUGAR values dropped sharply yesterday, wiping out gains made earlier in the week.

Soviet grain imports expected to rise

WASHINGTON — The U.S. Agriculture Department raised its forecast of the Soviet Union's total grain imports in 1984-85...

Banana export target raised

By Clive James in Kingston THE Windward Islands in the Eastern Caribbean have a banana export target of 140,000 tonnes to Britain this year.

PRICE CHANGES

Table with columns for commodity names, current prices, and percentage changes. Includes metals, oils, and various agricultural products.

BRITISH COMMODITY PRICES

Table listing British commodity prices for various metals, oils, and agricultural goods, including price per tonne and percentage changes.

AMERICAN MARKETS

Table showing American market prices for commodities like cotton, sugar, and various oils, with prices in cents per pound or tonne.

AMERICAN MARKETS

Table showing American market prices for commodities like cotton, sugar, and various oils, with prices in cents per pound or tonne.

LONDON OIL

Although due to open unchanged against New York the oil market came under pressure during the morning...

BASE METALS

BASE-METAL PRICES gained ground on the London Metal Exchange. Copper gradually moved higher...

INDICES

Table of financial indices including the FT 100, DOW JONES, and various commodity indices.

REUTERS

Table of Reuters commodity prices for various goods like oil, sugar, and metals.

CHICAGO

Table of Chicago market prices for commodities like live cattle, hogs, and various oils.

GOLD MARKETS

Gold rose \$1 to \$341.342 in the London bullion market yesterday. It opened at \$339.339...

LEAD

LEAD prices were steady in London yesterday. The metal rose to a peak of \$142.342...

COFFEE

COFFEE prices were steady in London yesterday. The market opened unchanged...

SOYABEAN MEAL

SOYABEAN MEAL prices were steady in London yesterday. The market opened unchanged...

CRUDE OIL (LIGHT)

CRUDE OIL (LIGHT) prices were steady in London yesterday. The market opened unchanged...

LONDON FUTURES

Table of London futures prices for various commodities like oil, sugar, and metals.

ALUMINIUM

Table of aluminium prices in London, including spot and futures prices.

WHEAT

Table of wheat prices in London, including spot and futures prices.

SOYABEANS

Table of soyabean prices in London, including spot and futures prices.

CRUDE OIL (HEAVY)

Table of crude oil (heavy) prices in London, including spot and futures prices.

EUROPEAN MARKETS

Table of European market prices for commodities like oil, sugar, and metals.

NICKEL

Table of nickel prices in London, including spot and futures prices.

BARLEY

Table of barley prices in London, including spot and futures prices.

WHEAT

Table of wheat prices in London, including spot and futures prices.

CRUDE OIL (HEAVY)

Table of crude oil (heavy) prices in London, including spot and futures prices.

Executive Cars

Competition between the volume makers and the more specialist producers is intensifying. In the shadow of the far-reaching German metalworkers' strike, European manufacturers face increasing problems, with Japanese sales rising in a static market

By JOHN GRIFFITHS

EUROPE'S MOTOR industry might have made a small recovery last year, but almost everywhere it now looks as if it is faced with uncertainty and a climate of intensifying competition. The competition comes both from within and, in particular, from Japan.

In no sector is the uncertainty greater than that of executive cars, traditionally a source of high profit per unit. They have been the means by which many manufacturers have been able to recoup some of the huge investments they need to stay internationally competitive—and which are involving the European industry in capital spending of about \$80bn up to 1989 on new models and production facilities.

Increasingly, executive cars—models currently exemplified by the Ford Granada, Rover, Vauxhall Carlton and upwards—are becoming the focus of the rivalry to introduce new and ever more advanced forms of highly expensive technology. Four-wheel-drive, complex on-board computer systems, computer-modulated suspensions, "thinking" gearboxes—such innovations are appearing at an ever faster rate to tempt more affluent buyers.

In some countries—such as West Germany and the U.S.—market demand in the sector has expanded (it was up 20 per cent in West Germany last year) to help manufacturers improve returns from their investments in such products. Overall, however, forecasts such as DRI Europe see at best marginal growth in total European demand for such cars until after 1986 at earliest.

So far, the more specialised manufacturers of executive cars such as Mercedes and BMW have been most successful in the sector. Not only have their sales and output increased with monotonous regularity in defiance of recessions, they have been successful in retaining profits, not least having clearly developed "premium" images, and by sharply discouraging dealer discounting—hence protecting residual values.

But the volume manufacturers have been eyeing their success with mounting envy, and preparing to tackle the specialists more seriously on their home ground. The result is a proliferation of new models, from both sides.

Criteria

This new model rivalry, however, is taking place in a climate of environmental, legislative and fuel efficiency pressures which in engineering terms have been bringing a marked degree of convergence in fundamental car design. It is virtually inevitable, for example, that engineers, seeking maximum aerodynamic efficiency are going to come up with very similar answers.

But, as Mr Mark Snowdon, managing director of the UK's Austin Rover pointed out at a recent Geneva conference, increasing affluence is encouraging consumers to seek a greater degree of individuality—and the car is a major factor.

The effect can be expected to be twofold. To pressure the volume manufacturers increasingly to seek more distinctive images for their own executive car products—and in turn, to step up the pressure on the specialists to maintain their own cars' distinctiveness.

In the light of this intensified competition, it is difficult to envisage profit margins not becoming compressed. Indeed, this is already happening, with new car prices throughout Europe increasing at well under the rate of inflation.

Adding to the uncertainty is the proposal by the EEC Commission to "harmonise" EEC prices next year, by allowing a maximum 12 per cent price variation between member states. It is bitterly opposed by manufacturers, who argue that the current variation in pre-tax prices—mainly because of exchange rates at UK prices are up to 40 per cent higher than in some states such as Belgium—reflects the lack of any coherent economic policy as a whole for the Community, and that it is unfair to impose one on the car industry.

If it is imposed, manufacturers regard it as inevitable that a balance will be struck close to the cheapest market prices. And that, says Dr Krish Bhaskar, head of accounting and finance at University of East Anglia and well known for his computer models of the motor industry, would be a "disaster" for manufacturers, few of whom are making profits. It could close half the car-making capacity in Europe, he calculates.

Added to these problems is the plan announced by the West German government to require lead-free fuel to be used from January 1, 1986. There now seems little prospect of the industry getting it to change its mind, and if adopted EEC-wide would present the industry with another highly expensive set of problems.

To add to the pressures Japanese manufacturers, constrained by import quotas and other restrictions, are seeking to maximise their own profits per

unit by taking their cars up-market. The recent result has been a spate of highly innovative Japanese new car models. These include Nissan's 300ZX turbo sports coupe, for example, which for the first time takes a Japanese manufacturer into the 150 mph "supercar" market traditionally dominated by the likes of Jaguar, Porsche and Ferrari.

In these circumstances, the strike in pursuit of a 35-hour week by West German metalworkers, which has quickly brought much of the West German vehicle industry to a halt, is a particularly savage blow.

The effects, however, are not confined to West German producers. The tactic of IG Metall, the metalworkers' union, was to choke off supplies of strategic components, used by manufacturers throughout Europe.

Robert Bosch, the DM 14bn (\$5.2bn) a year turnover components giant which specialises in making fuel injection equipment; ZF, the gearbox manufacturer; and Mahle, which makes the pistons for most European high-performance cars as well as those for grand prix engines, were among the first to be hit.

Within days, the major plants of BMW and Daimler-Benz were slowing to a halt. Ironically, Daimler-Benz' new Mercedes car plant at Bremen was being shown to the Press at the time the strike began, while BMW had only just laid the foundation stone for a new plant at Regensburg which should start making 100 cars a day from 1986.

Mercedes had set a target of producing over 500,000 cars this year for the first time—after 476,180 last year—while BMW hoped to squeeze out a few

more than last year's 421,000 units. By last week, with no settlement in sight, they were each losing output of about 2,000 cars a day.

Ford's Cologne plant, producing Capris and Granadas, went down; much of Volkswagen/Audi's output was halted; then followed General Motors' huge assembly plant at Antwerp in Belgium.

Volvo and Saab have been shuffling production schedules, putting models in need of missing fuel injection components to one side.

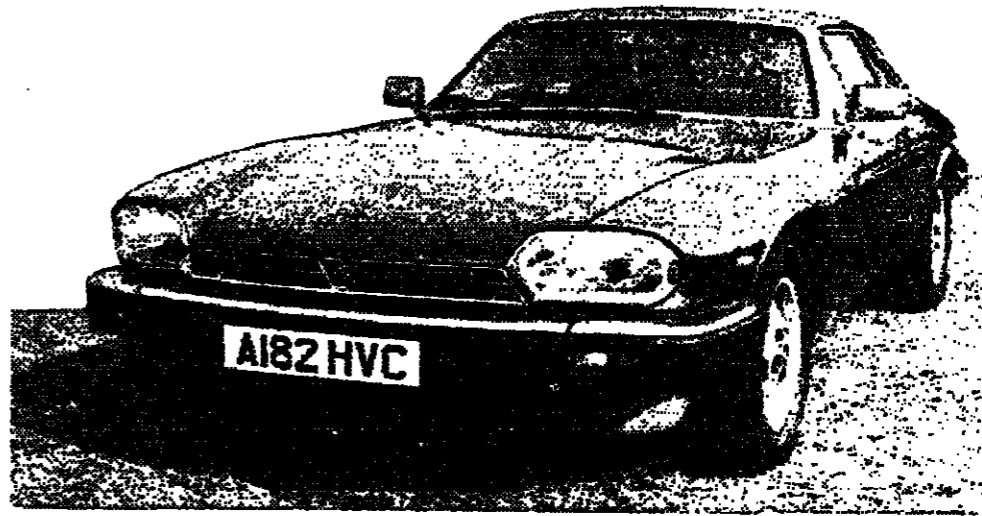
Without a settlement in the next two weeks, hardly a manufacturer in Europe will escape being affected. Even Austin Rover, although relatively sanguine about supplies of VW gearboxes for Montegos and Maestros—last week, the plant was still producing—will not be able to continue making its MG Montego. For although it uses Lucas fuel injection, it has Mahle pistons.

The problem with such components is that they are developed with the engine itself, and cannot be readily sourced from elsewhere.

What the strike has done is underline the increased vulnerability of manufacturers to component shortages as a result of opting for single sourcing and sharp cuts in inventory levels—two major ways in which they have sought to become more competitive with the Japanese industry.

Despite the strike, no one in the industry believes that the sourcing and inventory strategies will be reversed. "The economic case for them is no going back," according to a spokesman for BL. "They have become an irreversible fact of life."

Even if a settlement is forth-



Editorial production: Michael Strutt; layout: Phil Hunt

EXECUTIVE CAR DEMAND IN EUROPE'S PRINCIPAL MARKETS (000s)

	1983	1984	1985	1986
West Germany	681	666	699	655
UK	184	183	189	196
France	219	219	222	239
Italy	137	146	151	151
Total	1,221	1,214	1,261	1,241

Forecast: DRI Europe

coming quickly, the strike has already done much damage: some 57 per cent of West Germany's vehicle production is exported. A large proportion is to the U.S., a market made particularly profitable by current exchange rates. But North Americans are notoriously impatient customers, and the European executive car specialists have always made a point of having stocks for immediate sale.

Replaced

That situation is inevitably going to be undermined at a time when Japan's pitch at the North American executive market has never been stronger.

Some indication of the mounting challenge in the executive car field from within Europe is provided by some of the latest model launches from the volume manufacturers.

Renault, the car market leader in Europe last year—but which has lost its crown first to GM and most recently to Ford—ended its long hiatus from having a competitive mainstream executive car by launching the 25—a car incorporating sophisticated engineering and laying claim to the title of

world's most aerodynamically efficient saloon. Fiat, in the form of its Lancia subsidiary, has launched several developed versions of existing cars such as the HPE coupe fitted with superchargers, and at the end of this year will launch the Thema, its long-awaited new challenger in the large executive saloon market.

Audi, which increasingly is aiming to be seen as a premium quality innovator for the Volkswagen group, and seeking a similar image to BMW, will be offering four-wheel-drive on all its models; has launched one of the fastest production saloons in the world—the 143 mph 200T Turbo—and is expected later this year to produce a more sophisticated updating of its smallest 80 model.

Perhaps most significantly, Ford early next year will launch its replacement for the Granada—a car reportedly offering a highly advanced specification and including the option of four-wheel-drive.

The more specialised manufacturers are hitting back, however. BMW has a number of even higher performance models in the pipeline which rely heavily also on advanced electronics. They should need

only 40 per cent of the servicing of 1982 cars.

These cars are being introduced with all the advantages that the volume manufacturers possess in terms of economies of scale in component supplies.

But the ground rules of manufacturing, thanks to flexible production systems, have changed substantially from the late 1970s when it was thought that only producers of more than 2m cars a year would survive.

The flexible manufacturing systems allow the smaller makers to run a mix of models down the same lines, and to introduce new ones without major investment in specific production facilities.

The other effective route which some have also chosen for survival lies through collaboration. There is no better example of this than the new model just unveiled by Saab.

The 9000 is Saab's first new model for 17 years. Yet underneath its skin it has been developed jointly with Lancia—although it shares few actual components with the Italian manufacturer's version.

Its "Type Four" floor platform is being shared, not just by Lancia, but by Fiat, which is using it for the Argenta replacement later this year, and by Alfa Romeo for the successor to the Alfetta.

Saab says the collaboration has slashed the investment required to produce the car, and is allowing it to be brought to the market a year earlier than otherwise would have been possible.

The legend that whispers luxury.

No other car reflects your success like a Jaguar. No other Jaguar establishes your standing like the Jaguar Sovereign.

It is a car without equal, a unique combination of effortless performance and absolute luxury.

For most, the Jaguar Sovereign will be an experience only to be imagined.

For the privileged, it will be an experience to be savoured and often repeated.

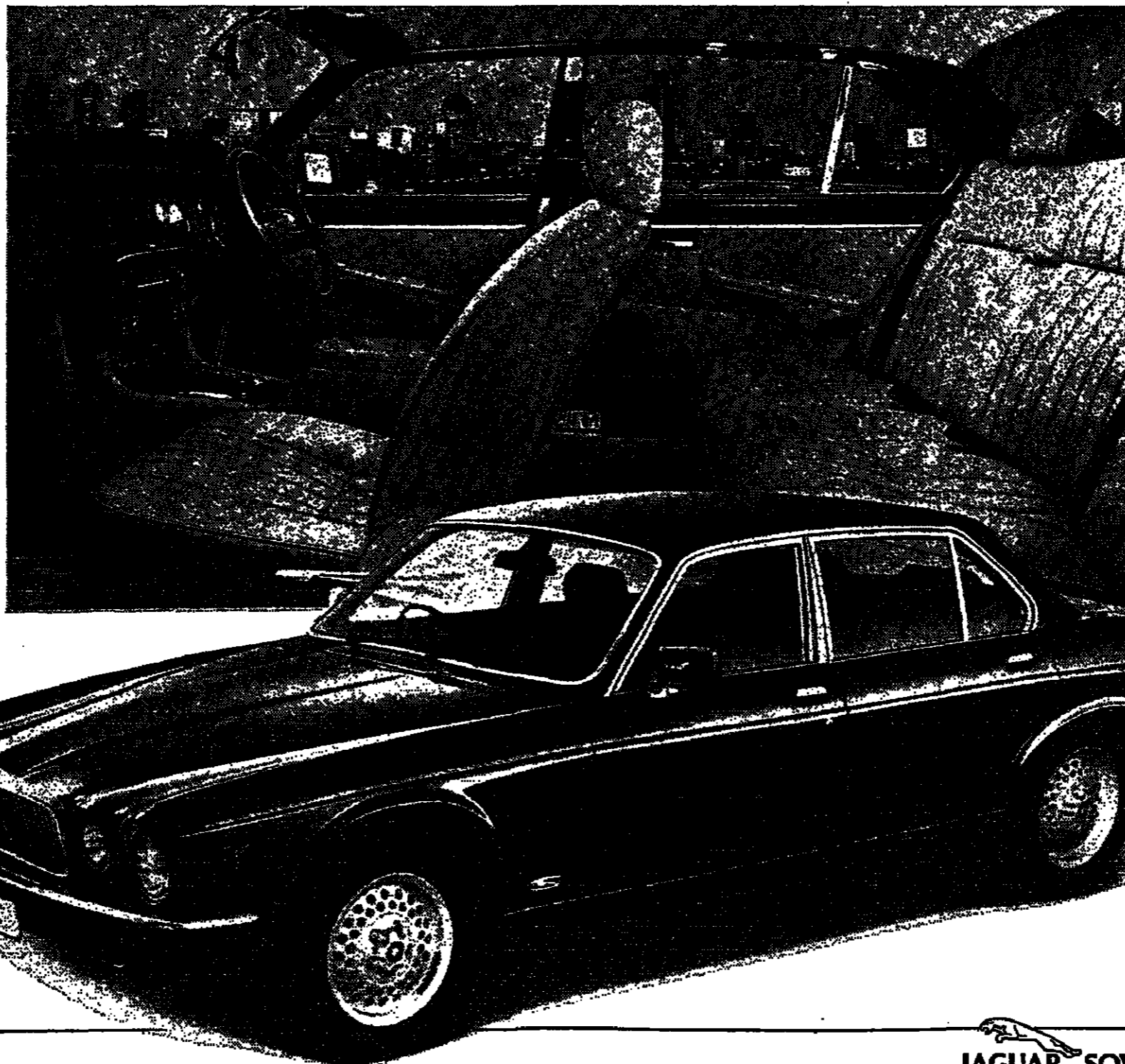
Behind the wheel of a Jaguar Sovereign you can settle in the seclusion of quiet, restful elegance.

Cossetted by the richness of fine quality leather hides, burr walnut veneers, deep-pile carpeting, air-conditioning and a range of standard appointments that, on any other car in its class, would read like an expensive list of optional extras.

Reassured by the Jaguar Sovereign's legendary road holding, smoothness of ride and, not least, its outstanding value for money.

Jaguar Sovereign 4.2 £18,995.00.
Jaguar Sovereign H.E. £21,995.00.

Prices, based upon manufacturer's RRP and correct at time of going to press, include seat belts, car tax and VAT. (Delivery, road tax and number plates extra.)



JAGUAR SOVEREIGN The legend grows
THE 1984 SALOONS: JAGUAR SOVEREIGN 4.2 & SOVEREIGN H.E.

EXECUTIVE CARS 2



Above: the Vauxhall Cavalier which, with the Carlton, has achieved success in the volume market. Right: the new Saab 9000 which goes on sale in the UK later this year

Cut-throat marketing tactics behind UK boom

THE UK new car market last year reached a record 1.79m units. And with sales still forging ahead after five months of 1984, the Society of Motor Manufacturers and Traders in the past few weeks has changed its mind about the shrinkage it predicted at the start of this year—and issued a new forecast saying that last year's record will be at least matched.

But behind the apparent boom in unit terms lies an altogether different picture: of cut-throat marketing tactics, heavy discounting and financial incentives to dealers—some of whom have been "moving the metal" at virtually dealer cost and relying on manufacturers' bonuses for a small margin of profit.

For a time, earlier this year, there were thoughts that the price wars might abate. Mr Sam Toy, Ford UK's chairman, had publicly declared last September that the whole scene had become ridiculous and that Ford, as market leader, was declaring a unilateral truce.

Austin Rover and Vauxhall, Ford's main rivals, publicly lauded the move—and carried on offering incentives, hinting that Ford was finding more discreet ways of doing effectively the same thing.

At the time, one much-respected motor industry economist suggested that Mr Toy was rather resembling King Canute, and that there was no

way the tide could be held back for long.

It rolled back in May, when Ford formally announced that its rivals' action meant it had to resume incentives.

The fiercest of the battles have been in the small and medium car sectors, in particular for upper-medium saloons, where the Sierra and Cavalier were slugging it out toe to toe until the end of April when Austin Rover's Montego joined the fray.

Criteria

But it has been little less fierce in the executive sector, where rather more manufacturers are pitching for the same slice of the market.

How big the slice is depends on what criteria are used to define executive sector. Forecasters DRI Europe use a base line cars such as the Vauxhall Carlton and Ford Granada upwards, and on that basis concludes that this year they will account for about 11 per cent of total sales, or about 183,000 units. That is slightly higher than the 182,000 of 1980, and represents a slight fall on last year's 184,000—though it has recovered substantially from the 170,000 recorded in the trough of the recession in 1981.

The experience of the past few years has been that, despite the marketing muscle of the

volume producers, it has tended to be the more specialised producers such as BMW, Mercedes, Volvo and Saab which have fared best in the struggle—not just in terms of increasing sales compared with the market overall, but in selling their cars profitably.

The notable exception is Vauxhall. Its executive cars, spearheaded by the Carlton, have leaped ahead, helped by the substantial success its Cavalier and Astra models have achieved in the volume market. Carlton sales last year shot upwards, from a mere 2,640 in 1982 to more than 17,000—a trend which has continued into the current year. Sales of the Manta sporting coupe jumped from 1,580 to 8,680 in the same period; the top of the range Opel Senator saloon from 450 to 2,040 and its sports coupe equivalent, the Monza, from 170 to 790.

All the models, like Ford's Granada and Austin Rover's SD1 2.3-5 litre Rover saloon, date back to the mid and late 1970s but substantial exterior and interior styling changes have helped give the Vauxhall and Opel models a new lease of life.

The sales figures for the Granada and Rover tell a strikingly different story. Sales of the Granada, once the undisputed market leader, fell back to 24,080 from 28,590; those of

Heavy discounting and financial incentives to dealers shed a different light on brisk sales, as John Griffiths reports

the Rovers to 21,590 from 24,420, despite the overall growth of executive car sales.

All three makers, however, were embroiled to a greater or lesser degree in incentives to shift the models.

In the same period, BMW sales climbed to 25,180 from 22,980; those of its new 760 series cars, rose to 24,490 from 21,290 (excluding the small 300 series cars); while Mercedes, even with its new 190 saloon yet to arrive, saw sales rise to 13,110 from 11,790.

The weakest performer among the more specialised producers was Saab, whose first all-new model for nearly 20 years, the 9000, will not go on sale until the end of this year. Even then, Saab still managed a marginal sales increase, to 9,490 cars.

All the specialists have adopted strategies similar to those being pursued by Mr Paul Layzell, who succeeded Dr

Walter Hasselkus as managing director of BMW (GB) at the start of this year. Mr Layzell says that, like his predecessor, he is steering BMW's 147 dealers well away from offering incentives, which he describes as having become "the standard menu for the day" among volume manufacturers.

Profitable

His concern in doing so is to protect residual values, potentially the biggest single cost in running a car.

Inevitably, this has meant that BMW's dealers have also remained very profitable: on average they have been retaining a margin of almost 13 per cent. And while the smallest and cheapest 3 series cars now account for nearly 60 per cent of all BMW's UK sales, the UK Importer says it has been careful to ensure that they do not

come to be regarded as a fleet model in the same sense as those produced by the volume manufacturers.

BMW, Volvo and Mercedes are in a very different supply situation from the volume manufacturers, however. BMW and Mercedes in particular have been very much restrained by production capacity, and have been waiting for new plants to begin production and lift output.

Mr Layzell had already warned his dealers at the start of this year that the remarkable expansion of sales since 1980 (when 13,000 units were sold) would have to slow sharply this year because of supply constraints, and that they were likely to stay at a plateau of about 26,500 until 1986 at least, when output from BMW's new Regensburg plant would be in full flow.

What he did not bargain for then was the West German metalworkers' strike, which is costing BMW 2,000 cars a day and which leaves the company with little hope now of hitting the start-of-year target.

The volume manufacturers have been much more concerned with utilising under-employed capacity, and this has been reflected in discounting practices.

But for several, too, falling sales have reflected the age of

model ranges—a situation which is now changing, and will change even more rapidly over the next 12 to 18 months.

Replaced

Renault, for example, has been one of the bigger casualties in the UK executive car market, and up to the end of last year had seen a steady decline in sales of its 20 and 30 models. This spring, they were replaced by a new model, the 25, which can now lay claim to be the most aerodynamically efficient saloon in the world, with a drag coefficient of 0.28.

Lancia, now being marketed in the UK by Lancia's parent, Mr Gerald Ronson's Heron empire, similarly endured a worsening situation last year, sales dropping to 3,460 from 5,170—a trend which has continued into 1984 despite the introduction of various new versions of the existing Lancia range.

At the end of the year, however, Lancia will be preparing for the arrival of the Thema, a major executive car new almost from the wheels up, on which Lancia is likely to depend heavily for improving its fortunes.

Similarly, Alfa Romeo can expect an Alfa replacement, and new models are expected

from several other manufacturers.

Most importantly, Ford early next year should launch its long-awaited replacement for the Granada, rumoured to be called the Laguna. "Spy" pictures show it to have a family resemblance to the Sierra, including the Sierra's semi-hatchback rear. Towards the end of next year, Austin Rover will also be joining the fray with its "XX" executive car developed jointly with Honda.

Meanwhile, Audi, Volkswagen's up-market sister company, is also making a harder pitch at the executive car market—sales of its 100 saloon have doubled since a new version was launched in the UK last year.

The competition is being heightened also by the introduction of new models from Japanese importers who, constrained in unit sales by quotas, are looking increasingly to the executive sector for higher profit per unit. Thus in the past two months Nissan has launched its new 300 ZX sports coupé—one of which is Nissan's first 150 mph car—and a 130 mph coupé, the Silvia, aimed at the 29,000 sector.

Taken together, these developments mean that the UK executive car market is on the verge of becoming even more competitive than for many years past.

Status symbols.



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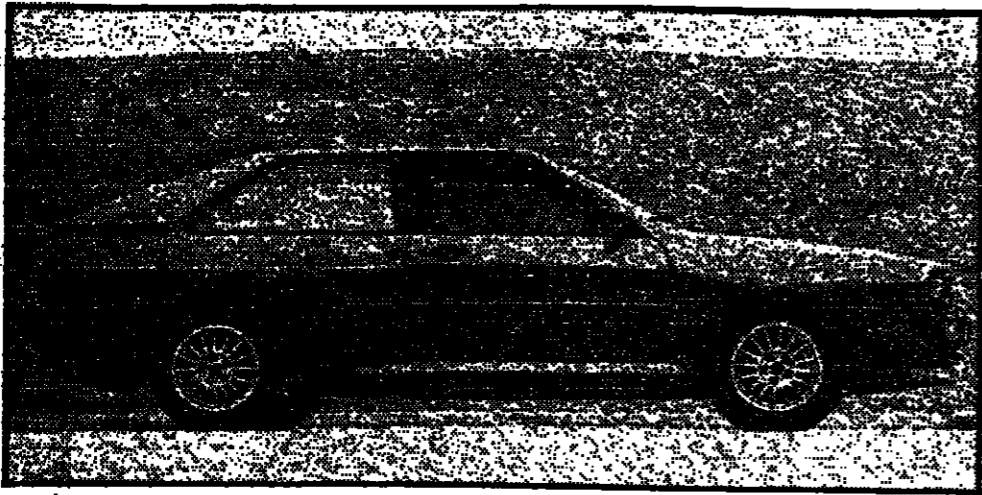
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EXECUTIVE CARS 3

Tax perks beat the crackdown



Cars such as this Audi Quattro can be up to 40 per cent cheaper in some Continental markets such as Belgium than in the UK, though the differential depends on exchange rate fluctuations. Europe's manufacturers are fighting EEC plans to "harmonise" prices next year

Decision on parallel imports still awaited

ABOUT A YEAR ago the Society of Motor Manufacturers and Traders (SMMT) reluctantly agreed to try a code of practice intended to ease some of the problems created by the unofficial import to Britain of cars from other Common Market countries.

The code was supposed to have a six-month trial but like so many projects where government departments are concerned, a year has passed and an official verdict on the new system has still to be given.

The code was not designed to open up a flood of "grey" imports to Britain but would have helped and British fleet manager interested in buying his executive cars elsewhere in the EEC.

To register (and therefore insure) a car in the UK a fleet buyer must have a certificate stating that the vehicle meets British safety and technical standards. Some official import companies and UK manufacturers have been reluctant, to say the least, to issue these certificates.

The proposed new code insists that a certificate called in the trade's jargon a sub-mac certificate—must be provided to anyone who asks for one.

The snag, so far as the fleet manager is concerned, is that the manufacturer or importer is almost duty bound to inspect the car (or cars) to make sure it meets the required standards before issuing the certificate. If changes to the car are necessary before the certificate can be issued, the Department of Transport has warned, "there could be a substantial charge."

There was to be no immediate change to the system where an individual importing his own car—previously used in an EEC country—seeks the requirement to produce a sub-mac certificate before the car can be registered and legally put on British roads.

When he introduced the proposed code, the then Secretary of Transport, Mr David Howell, made it clear that his main concern was that unofficial imports might constitute a danger to road users.

The Government is concerned to ensure that all vehicles used in this country meet out safety and environmental standards through compliance with the appropriate type approval requirements. But it is also anxious that the purchaser's choice of supply should not be impeded.

Goals

"The arrangements set out in the code of practice are designed to enable both these goals to be achieved," he added. "When I am satisfied that these new arrangements are working effectively and will continue to do so, I will review the terms of the personal import exemption from national type approval" (that is the necessity for a sub-mac certificate).

What this implied was that the Department—worried about the flood of unofficial imports without certificates—might take some action to separate what the trade calls the "genuine" personal importer, such as the diplomat, serviceman or businessman returning from a tour overseas and bringing his car to Britain, from the person who only drives the new car from the Continental dealer to the customer before personally importing it.

The SMMT has argued that the Department should insist on some time restriction—perhaps that the car should have been driven on the Continent for six months—before the vehicle could qualify as a bona fide personal import.

that the code of practice would prove suitable and quickly be followed by action along these lines by the Department.

For this reason the SMMT has been waiting somewhat impatiently since the original trial period ended.

In January and February this year the Department circulated various consumer organisations to see if they had any criticisms about the way the code was working out in practice. Apparently no significant criticisms have been made.

All the Department will say at the moment, however, is that the code is "still under review by officials and the Minister" and will continue to be used until a final decision is forthcoming.

Discounts

A recent survey by the Motor Agents Association, for example, showed that three out of four dealers will offer a substantial discount on a new car without being asked for one. Discounts being offered before any bargaining takes place range from 10 to 15 per cent in most cases.

Of those dealers which volunteered a reduction, without being asked, 75 per cent offered between 10 and 15 per cent, 23 per cent offered between 5 and 10 per cent and only 2 per cent offered under 5 per cent.

Of course, there are exceptions and perhaps the best-known is Mercedes. Although sales of Mercedes cars through the manufacturer's own import company have grown steadily in recent years—from 7,000 in 1978 to 13,500 last year—Daimler-Benz has been careful not to let supply catch up with demand. Mercedes customers seem more than willing not only to wait for their new Mercedes cars but also to pay the relatively high UK prices for them.

One fleet manager asked a multi-franchised car sales organisation with which he did considerable business how much discount he could get on a Mercedes. "Nothing," he was told. The fleet manager pointed out how much other business he provided and the car salesman relented.

"You haven't bought a Mercedes before, have you? In that case, we can give you a one per cent introductory discount."

When a fleet manager runs into that kind of stone wall he will find it worthwhile to shop elsewhere in the EEC—because that is what the Common Market is all about. Much of the hassle will also be removed from the "grey" importing deal if the company concerned has a subsidiary in another EEC country where list prices are much lower to handle negotiations there.

Dealers anywhere in the Common Market are obliged to supply right-hand-drive cars and vehicles with UK specifications when requested to do so by a potential British customer. And the code of practice ensures that the fleet manager will not have any problems getting the sub-mac certificate when the car arrives in Britain.

Copies of the new code are available on application in writing to the Department of Transport, Vehicle and Components Division, Room 8/17, Tullgate House, Houlton Street, Bristol BS2 9DJ; or to the SMMT, Forbes House, Halkin Street, London SW1X 7DS.

Any complaints about the way in which an application for a sub-mac certificate is dealt with by a manufacturer or his accredited representative first should be made in writing to the society at the above address.

Kenneth Gooding

THE GOVERNMENT'S crackdown on the company car, one of the most attractive tax perks, has had a significant effect on the executive car industry, though the Inland Revenue has not succeeded in curbing the use of this very popular perk as much as it had hoped.

The industry has responded by developing increasingly sophisticated car allocation policies, drawing up tables of break points and cut-offs in valuing vehicles for tax purposes; putting together packages which take in the various elements of employee taxation, financing of the car and operating costs to determine the best car in particular circumstances.

The accompanying table shows the different scales of cars and alongside the car benefits in force at present and the new ones, announced in the Budget which will apply for 1985-86. In recent years the Treasury has increased the benefits at a rate greater than inflation.

Scales were first introduced in 1976, a diversion from the normal practice in most countries where employees are taxed directly on the benefit of the private mileage done in a company car. The

minimum salary at which an employee becomes liable to tax is £8,500 and remains unchanged. As the years pass and average salaries rise, then more people find themselves caught in the taxable bracket.

Employees allowed the private use of a car will pay tax at the highest marginal rate on the scale benefit. There will be an additional charge where the employer provides petrol for private motoring.

All sorts of anomalies can be found within the regulations. The original market value of the car, for example, is used as a basis of a tax charge. The value is determined by the price which the car might reasonably have been expected to fetch if sold in the UK in a retail sale on the open market, immediately before the date of its first registration.

An anomaly pointed out by Brian Friedman, a tax manager at Coopers and Lybrand, in the Tolley's Company car tax guide 1985-86* arises in connection with the assessment of vintage cars.

Vintage cars are generally provided as prestige cars and may well have considerable market value. "Nonetheless,"

CAR AND CAR FUEL BENEFITS

The taxable cash equivalent of company car and car fuel benefits are varied by Treasury order. The order dealing with the scales for 1984-85 was laid before Parliament last year and the order increasing the scales for 1985-86 will be laid before Parliament later this year though the figures have already been announced.

The normal scales for both years are as follows:

1984-85 scales	1985-86 scales	
	Car benefit £	Fuel benefit £
Cars costing up to £16,000		
1,300 cc or less	375	375
1,301-1,800 cc	480	480
Over 1,800 cc	750	750
Cars costing £16,001-£24,000	1,100	750
Cars costing over £24,000	1,725	750

1. Both car and car fuel scales are reduced by 50 per cent if business mileage accounts for 18,000 miles or more in the tax year.
2. The car scale is reduced by approximately one-third if the car is over four years old at the end of the tax year.
3. The car scale is increased by 50 per cent if the car is a second company car or the business mileage is less than 2,500 miles in the tax year.
4. The car scales are reduced pound for pound for contributions which the employee may be required to make for his private use.
5. The car fuel scale is reduced to nil if the employee makes good the cost of all fuel used for private journeys (including travel to and from home and place of work).

Source: Ernst & Whinney

says Friedman, "vintage cars will fall into one of the lowest categories of car benefit (the original market value will be less than £14,000 and the car will be over four years of age) and will therefore give rise to an unrealistically low tax charge."

The scope of scale charges covers all the benefits associated with the provision of a car with a few exceptions. They include petrol for private motoring covered by another scale benefit and the provision of a driver where the benefit depends on the

driver's salary and the amount he drives on business.

So-called "perk cars" attract a higher tax as they are considered incidental to the business. According to Friedman, a perk car attracts tax on 150 per cent of the scale benefit when an employee's business mileage in the car is at an annual rate of 2,500 miles or less. Similarly, if an employee gets two company cars, and one is used less for business purposes, that will get the 150 per cent charge.

Recent research contained

in the Monks Guide to Company Car Policy, 1984*, reveals that second cars are likely to remain a rare perk confined mainly to some chief executives in parent companies.

*Tolley's Company Car Tax Guide 1983-84, Tolley Publishing Company, Tolley House, 17, Scarbrook Road, Croydon, Surrey.

*Monks Guide to Company Car Policy, 1984, Monks Publications, Debden Green, Saffron Walden, Essex CB11 3LX.

Alison Hogan

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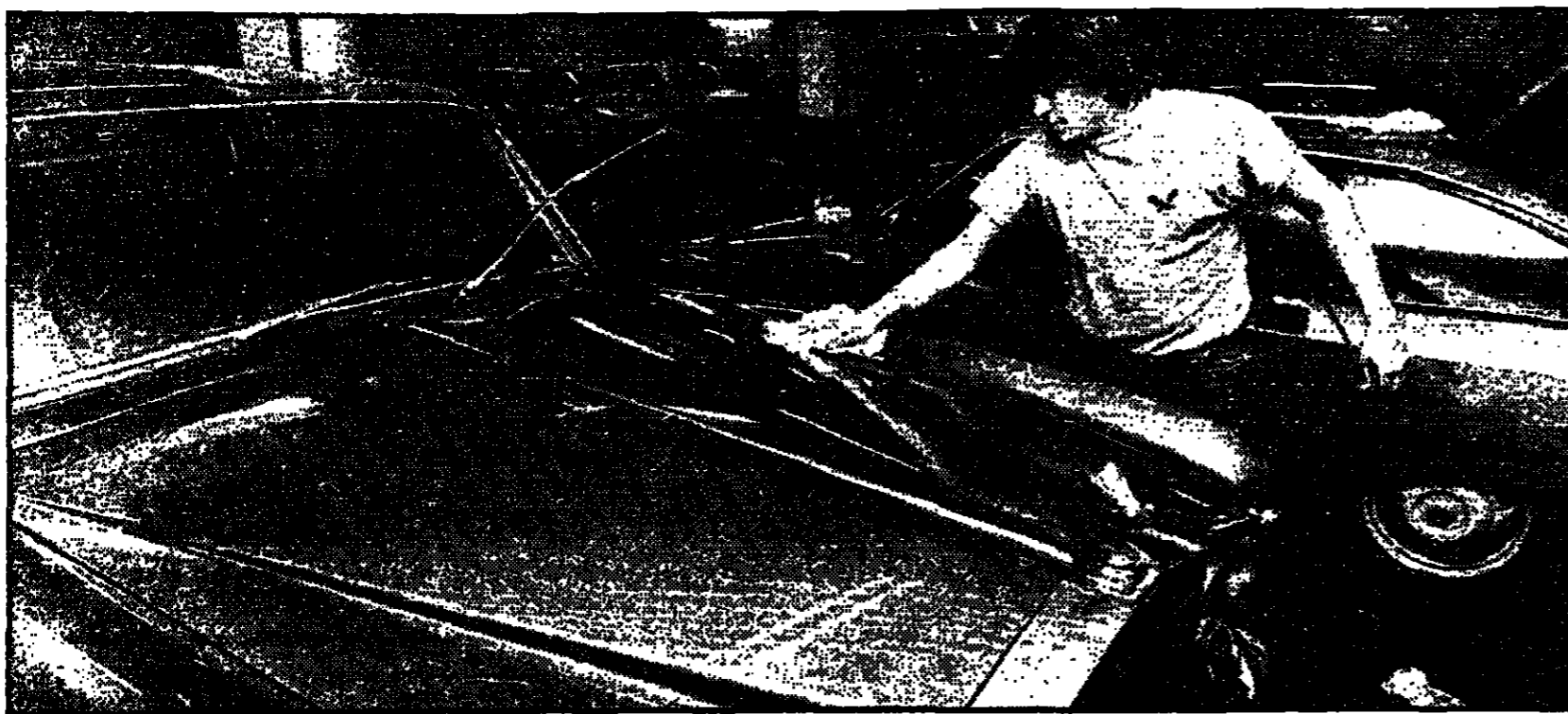
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EXECUTIVE CARS 4



UK business spending on cars is considerable yet many fleet managers are not achieving cost-effectiveness

Trevor Humphries

John Griffiths finds there is growing concern about the pitfalls of running a fleet

Operational costs fox many companies

IF THERE IS one generalisation to be made about the purchase, operation and disposal of cars by an estimated 190,000 companies in the UK, it is that an unerring number of them are not very good at it.

This at least is the weight of evidence from a number of surveys on the issue, including one from the British Institute of Management.

The BIM study last year, for example, found that while three-quarters of the companies it surveyed claimed they operated their cars cost-effectively, only about a quarter could identify what any individual car was costing them to run.

Market researchers Makrotrest, in an update this year on a major study carried out in 1981, has concluded, however, that at least there is growing concern among companies about vehicle costs—even if there is not much improvement in the degree of sophistication with which many companies tackle the problem.

The findings of its 1981 survey made depressing reading: only about a third of executives

charged with running a business's cars could properly identify the pros and cons of the four main forms of acquisition: cash, hire purchase, finance leasing and contract hire.

This is despite the fact that even the most conservative estimate would put business spending on cars last year at £4bn. A further study by James Bellini Associates last year appeared to have some justification for declaring that business car management suffered from "myopia".

Warranty

The pitfalls, in terms of costs, in the executive car market can be considerably deeper than in the volume sector. This is not only because depreciation can be so much higher per unit, but because the cost of out-of-warranty mechanical failure can be prohibitive. For example, a replacement engine for some of the more expensive imported executive cars can exceed that of a new Ford Escort.

Seeking to minimise the cost through, for example, contract

hiring a vehicle—involving paying a fixed sum for the vehicle per month with all the resale and operating risks borne by the hiring company—is one approach, and one which is becoming increasingly popular.

But the most effective decision-making involves the taking into account of many more complex factors, and will depend on the tax position of any given company.

In particular, as the UK economy moves further out of recession, an increasing number of companies are finding cause to examine whether it is more efficient to use their own tax allowances for outright purchase rather than opt for some type of easing.

Leasing itself takes several forms:

Finance leasing entails long-term hire where, at the end of the lease, the resale risks are borne by the company which has used the vehicle even though the leasing company retains ownership of the vehicle. Within finance leasing one of the most popular variations is the "open-ended" lease, where

the lease period is flexible.

The other frontrunner is the "balloon" lease, which achieves lower monthly payments than other leasing forms through being calculated on the difference between the price of the vehicle new and what it is predicted to fetch at resale time. The balance of the full cost is paid at the end of the lease when the car is sold.

Difference

The snag is, of course, that if the car fetches less than predicted, the lessor company or individual must pay the difference (though the lessor pockets the difference if it fetches more).

The other principal form of leasing is contract hire, usually with full maintenance.

All the evidence suggests that it is contract hire which is making the running in the leasing field, with most of the specialists reporting growth rates of at least 15 per cent. According to the updated Makrotrest survey, 15 per cent of the total business car market in 1983 was being served by

contract hire (10 per cent in 1981) and 9 per cent by finance leasing (7 per cent)—equivalent to growth rates of 51 per cent and 22 per cent respectively over the two-year period.

In the same time, Makrotrest concluded, purchase for cash had declined by 10 per cent and hire purchase by 5 per cent.

The leasing and contract hire companies claim that behind their growth is a changing business attitude towards cars. Companies would not dream of buying and laundering their own towels for washrooms, they point out—and since the business car is basically a service item, they suggest that more and more companies are treating it as such, opting for leasing and putting the capital saved to better use in the mainstream business.

The "converts," however, remain very much in the minority. Outright ownership may have shrunk, but companies opting for it still make up about 75 per cent of the total. And Makrotrest forecasts that the figure will still be over 70 per cent at the end of 1985.

Hidden price of giving employees free choice

IN RECENT YEARS, particularly since the last recession began, one of the sounds emanating from some companies' transport departments has been that made by the sucking of burned fingers.

It has arisen from a too-liberal extension of "user-chooser" policies, under which an increasing number of employees have been given a choice of company cars within given price bands. In many cases the true costs of offering this choice—by the time a car has been eventually resold—have come as a considerable shock.

A willingness to allow middle-ranking employees or representatives to stray outside of the offerings of UK-based volume producers in favour of some rather more charismatic imports has resulted in some unpleasant awakenings in terms of high running costs and extremely poor residual values. If the stocks were nasty in relation to volume cars, where initial purchase prices are relatively low, the consequences of allowing executives free rein were sometimes horrendous. In the trough of the recession some of the imports chosen not only had high running costs but achieved not much more than 30 per cent of the original purchase price on resale after two years.

Several surveys of company car policies in the past year have indicated that the "user-chooser" policy is becoming more restricted, at least in terms of allowable models, as the lesson has gradually been learned.

To steer companies, and their executives and employees, away from making such possibly rash choices in the first place is just one small part of the functions of a growing element in the business car scene—the professional fleet management companies.

Easing the pain of choices already made, by exploiting the most cost-effective disposal methods and keeping tight "before the fact" rein on repairs, service and maintenance, are others—while it has not been unknown for such companies, given their bulk purchasing muscle on behalf of a wide array of clients, to prise discounts out of executive car manufacturers where in theory no such discounts are allowed.

The fleet management companies say they have a particular role to play in the executive car field where, they claim, the numbers of vehicles may be relatively small but the savings per unit can be highest, and by a big margin.

It is natural, for example, for a firm of partners to want almost complete freedom in their choice of vehicle, freedom of financing period and participation in the disposal process. Guiding those decisions, which may involve a complex array of very up-market cars, is very much a job for professionals, the management companies argue.

However, the net cost by the management companies spreads very much wider. For example: in the late 1980s, the transport manager of a company with a fleet of several hundred cars had one driver report in with a badly-scored front brake disc. This is an expensive item, and the transport manager felt it prudent subsequently to have the fleet checked at 3,000-mile intervals as a preventive measure. A similar check was instituted on tyres.

Forward thinking

Both measures might be seen as a bit of sensible forward thinking by a manager taking his job seriously.

"The trouble is," says Mr Roy Foster, "nothing happened for the next 15 years. During that time the checks cost that company literally tens of thousands of pounds, plus lost time for its drivers."

And the irony, says Mr Foster, "is that it took us a long time, when we assumed management, to convince that company that the checks simply were not necessary."

Roy Foster comes upon dozens of cases like that each month during the course of negotiations with companies which, many of them spurred by recession, have grown uneasy about their vehicle fleet costs and decided to investigate the pros and cons of professional fleet management.

He is director and general manager of Geico Fleet Leasing and Management, the fleet management subsidiary of the U.S.-owned Geico International Corporation which, like its contract hire division, is based at Manchester. The two divisions between

them run a fleet of about 30,000 vehicles. Both have been experiencing similar growth rates, of 12 per cent a year or more. And in Mr Foster's view, "1984 calendar year will be the most exciting for a long time."

The essence of fleet management is "before the fact" control—to use in Geico's case, the vast array of fleet acquisition, operating and disposal facts now logged in databanks over 12 years of operation, to buy on behalf of clients vehicles with the most competitive "whole life" costs; to run them, using prior authorisation techniques for any service or repairs to prevent abuse by garages, or even drivers; and to dispose of them in the most cost-effective ways.

Equally, he is happy to admit that there will be another sector of the business-vehicle market—particularly where cash flow or the need for major new capital investment in the mainstream business are big considerations—where contract hire, in which the vehicle is leased, with all running costs borne by the lessor, will be a logical alternative.

Geico sees the best operating method for itself as being to provide both, with many variations to suit clients' individual needs. Mr Foster says: "There's no reason why in future we shouldn't have a kind of 'Lego' system where the client picks out the precise bits of any of the packages to suit his own needs."

The approach is rather different from that taken by PHH Services, also U.S.-owned but based in Swindon. Like Geico, it has been operating in the UK for about 12 years.

Mr Nick Suddaby, its deputy chairman, has kept PHH exclusively in the fleet management field. He says that PHH now manages 150,000 vehicles in the UK which would make it by far the largest in the field.

Mr Suddaby reports spectacular growth during the past 12 months. Of that 150,000, he says, a third have been picked up since the end of 1982. "The number of approaches has been staggering," he claims, and attributes them to companies having become "much more open-minded to professional management, now that the recession has made them recognise the enormous cost vehicles represent to them." J. G.

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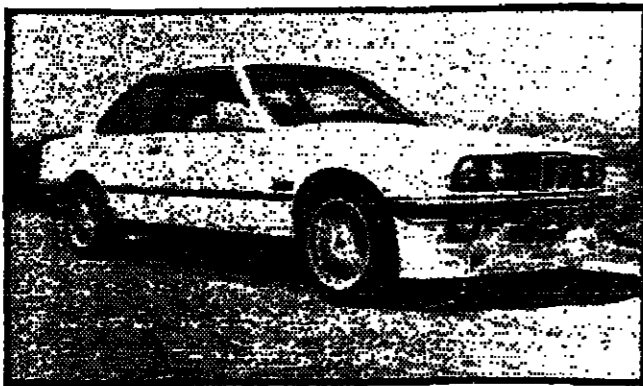
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EXECUTIVE CARS 5

Future vehicles will be quieter, safer and much more efficient

Planning the advanced car of the year 2000



The 132 mph BMW Alpina CI

Lucrative business in conversions market

THERE IS now a burgeoning market throughout Europe for cosmetic and engineering conversions to manufacturers' standard models. It is symptomatic of a lessening concern among many buyers about economy, as a result of stable fuel prices and the emergence from recession.

In the 1980s, such conversions and "bolt-on" additions tended to be confined to the cheapest end of the market; now Jaguars, Mercedes and BMWs are prime targets for the conversions, which can cost £10,000 or more.

It is providing lucrative business for companies such as AMG, Leitzner—now represented by Wood and Pickett in the UK—and Kamei of West Germany, operating exclusively in the aftermarket; and in the UK, companies such as Cartel.

Sport

While much of the business is sport-orientated, UK concerns such as Colman and Milne have found a ready market for "stretched" and upgraded limousines based on Ford's Granada, while Avon Coachwork recently has begun to market much-elongated limousines based on the Volvo 760, as well as an open-top version of Toyota's Celica.

The manufacturers themselves use the conversion

specialists: Jaguar is using Aston Martin Tickford to build its open-top "cabrio" model launched some months ago; while Karmann in West Germany is used by Ford, Volkswagen and others to build cabrio versions of models such as the Golf and Escort. High performance Alpha conversions of BMWs are marketed through the manufacturer's own outlets.

Jaguar has become a particular target of converters since its new-found reliability and sales successes: Tom Walkinshaw Racing, which runs Jaguar's racing team, is now building a £30,000-plus conversion of the XJ-S, the Jaguar Sport, while Forward Engineering of the Midlands has revived the Lister Jaguar name, famous for its racing successes in the 1950s, for an even faster version.

IN BROAD TERMS, Dr Ulrich Sieffert of Volkswagen paints the following picture of the typical car of the year 2000:

● It will travel twice as far on a gallon of petrol as a current model;

● It will be made largely of plastic and aluminium, with steel only 50 per cent that of today's cars;

● The engine may well be a gas turbine, capable of running on a variety of fuels, or it may even be an electric-petrol "hybrid," using an electric motor only at low speeds and using a small petrol engine to charge the batteries and provide extra power;

● Equally, it could be a much more efficient diesel than the current variety, or be powered by liquefied petroleum gas;

● Continuously variable transmission will be fitted, to match the gear ratio to the engine's most efficient operating band;

● Broadly similar in shape to today's cars, but more aerodynamic;

● Much quieter, safer and less polluting; probably with four-wheel drive, anti-skid braking and the engine compartment encapsulated to reduce noise;

● It will be controlled by several computers, and be equipped with an electronic guidance and information system.

Dr Sieffert is well qualified to look into the automotive crystal ball: he is executive director of Volkswagen's research division at Wolfsburg, from which came VW's "Auto 2000" concept car a couple of years ago—a vehicle which incorporated several of these features.

The car industry, particularly in the executive car sector, is already travelling quite quickly down some of the avenues reviewed by Dr Sieffert.

The on-board computer is proliferating, as is four-wheel drive (both General Motors and Ford are expected to offer it on their new executive cars within the next couple of years). And anti-skid braking is starting to appear on cheaper cars than the most expensive Mercedes and BMW models on which it was first offered (it is fitted, for

example, to Honda's Prelude coupe).

Continuously variable transmission is making its debut in Europe this year, in a version of the Ford Fiesta and smaller Fiat models. Within two years, General Motors should be producing VCV for larger cars, of about 1.5 litres, at its Strasbourg plant. As the problems of building such transmissions for more powerful cars are overcome, they should spread increasingly into the executive car field.

VTV systems overcome the age-old problem of conventional automatic transmissions, in that there are none of the power losses associated with the automatic's torque converter.

To illustrate, VW's experiments with CVT have shown that not only is it more economical in terms of fuel used, but even the most adept of drivers can match CVT on acceleration by manual gear-changing. For example, a Golf fitted with CVT consistently accelerated to 60 mph in 12.5 seconds, against 14.2 seconds when the same engine was mated to a manual transmission.

The decision on which of the CVT's many gear ratios to use at any given instant, as CVT becomes more sophisticated, will of course be made by computer; or one of the computers — for by the later 1980s executive cars in particular are likely to be fitted with three or more.

Functions

GM, for example, put an on-board computer, governing basic engine functions, in every one of its cars in 1981. By 1986, some of its cars will have seven, says its chairman, Mr Roger Smith. These will be able to issue 38,000 command instructions governing every aspect of the vehicle's performance.

"Even so," he declared at a recent London conference, "we have barely begun to discover how many ways advanced electronics can be used in cars and trucks — the sky's the limit." But if the precise uses to which they will be put for the moment remain a matter of uncertainty, the systems which will allow them to operate is

not. Virtually all major manufacturers now are intensively developing the "multiplex" systems which will be the nerve centres of executive cars before the end of the 1980s.

They consist of a "master" computer with subsidiary control centres scattered about the car and connected to the "master" via a single multiplex "bus" line — a two-way information line. The implications for weight-saving are considerable — Ford says three metres of multiplex would replace 19-20 metres of wiring loom.

BMW will be utilising the concept from 1988 when the first of its "self-diagnosing" 7 and 6 series cars go on sale. On these, computers will monitor virtually all wearing components of the car and be capable of projecting the life of any given part when the car is taken in for service.

The system under which parts will be replaced only at need and not as a precautionary measure, coupled with other improvements, will mean that 1986-onwards BMWs will require only 40 per cent of the level of 1982 cars' servicing, the West German manufacturer claims.

As for aerodynamics, the past popular assumption that low drag factors must automatically be associated with the sleek wind-cheating shapes of cars such as Renault's new 25 executive car (claimed drag coefficient 0.28) and Audi's 100 (0.30) is being shaken by the emergence of new types of vehicle which, Ford goes so far as to suggest, could even become the standard car shape of the 1990s.

These are van-type "people carriers," and Renault this month will launch the first production model of its type in Europe. It is not a van, but has a sharply-sloped front and is described by Renault as a "one box" saloon.

It is only 14 feet long, but can seat five or seven and has highly flexible load space of 30 to 106 cubic feet. Its performance is anything but van-like, with a top speed approaching 110 mph. No less important, despite its voluminous shape, its drag factor is just 0.32, rather better

than the conventional car average.

And with the "Espace," as the new car is called, Renault and Matra, the French aerospace giant which is Renault's partner in the project, appear to have taken a double step towards the future, for the car's entire body is of weight-saving plastic which, of course, also does not rust.

Significantly, Renault is manufacturing the car itself—Matra has built limited production models for Renault in the past—and at a high initial rate of 250 vehicles a week.

Flexibility

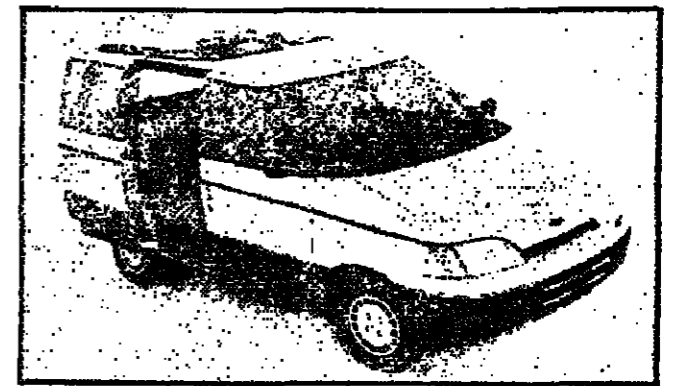
A key question for the future would appear to be whether cars of this type will remain simply convenient vehicles for transporting large families, or whether their obvious advantages in terms of space flexibility, in the case of the Renault seemingly at no cost in terms of performance or handling, will see them play a wider role. For example, at the Tokyo Motor Show last year, Toyota showed a van-like vehicle with flexible accommodation and the following other facilities:

A traffic information monitor radio; a road guidance system; a telephone operated by voice recognition—thus allowing the driver to keep his hands on the wheel; a data terminal capable also of receiving external transmissions and a document facsimile receiver.

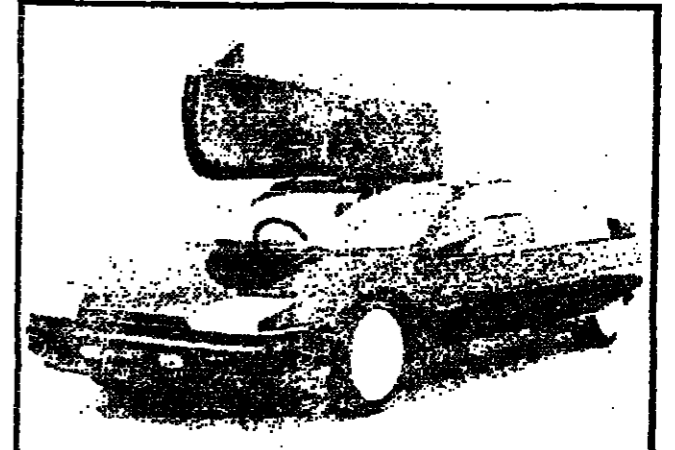
Now take another point made by Mr Smith in London: that a huge acceleration in technology over the next few years means that the industry cannot yet even be fully aware of the options available in terms of the products it might produce and that the wider options in turn will make consumers ever more selective and demanding.

Given Ford's statement that the van-type car could become the standard product of the 1990s, and the Renault and Toyota developments, could it be that some of the executive cars of the 1990s will turn out to be very different creations from the current mainstream vehicles?

John Griffiths



Top: Ford's seven-seat Ghia APV, seen by Ford as a possible shape for the 1990s.



Above: Nissan's NX-21 concept car has bi-folding gull-wing doors and mock-up ceramic gas-turbine engine. Below: The new plastic-bodied Renault Espace.



Bottom: Mazda's MX-02 car features four-wheel steering for sideways parking and better steering on the road.



Below: The new plastic-bodied Renault Espace.



Volkswagen's white Golf GTI convertible

Senator. Styling and performance only German engineering can give you.

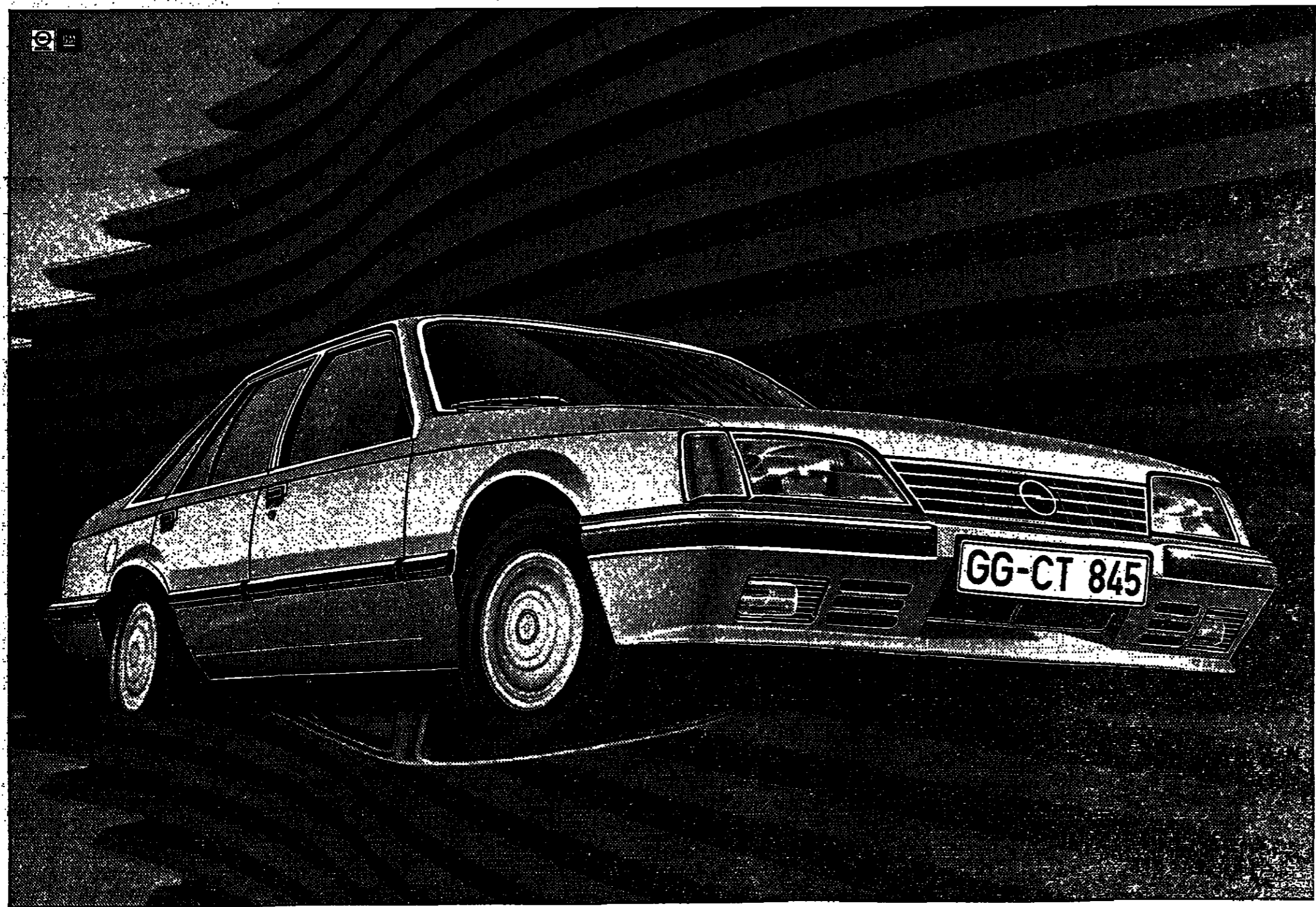


Illustration shows Senator C with 3.0 litre, 6-cylinder, fuel-injected engine, 180 bhp (132 kw), 0-100 km/h in 9 sec., top speed 210 km/h. Two-coat metallic paint and radio are optional extras. 5-speed manual transmission, 4-wheel disc brakes, on-board computer, alloy wheels, power steering and many other features as standard. Automatic transmission and ABS anti-lock braking available as extra cost options.

⊖ The Opel Senator achieves the perfect balance of style, comfort and performance.

It's designed for the discerning driver who will not settle for less than the Opel standard of design, efficiency and safety.

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Inside, you'll find luxury in every detail; from the ergonomically laid out controls to the individually contoured seats. Power-assisted steering and five-speed transmission are standard.

You can find out for yourself about the driving qualities of the Opel Senator by contacting one of the 3000 Opel dealers in Europe.



EXECUTIVE CARS 6

The main sales sectors are reviewed here and on the next two pages

The perplexing problem of image

Volume producers

KENNETH GOODING

A DEBATE taking place within General Motors' European operations is about whether the U.S. group would sell more executive cars in Britain if its Opel Senator was re-badged as a Vauxhall.

Those against the change insist that by retaining the Opel label for the Senator, GM can benefit from the considerable goodwill for West German engineering products which exists in Britain.

The Opel badge sets the vehicle apart from the Vauxhall "volume" cars, giving it an up-market, "import" image suitable for a car in its category, say those supporting the status quo.

For example, Mr John Fleming, Vauxhall's chairman, said recently: "When someone in a £14,000 car pulls up at the traffic lights and someone else in a £5,000 car comes up alongside and both cars have the same badge—the person in the £14,000 car does not feel comfortable with his purchase."

But there are those within GM's European hierarchy who, while accepting that point of view, believe that chauvinism counts more than image in the UK executive car market.

Mr John Bagshaw, executive director sales, service and parts, General Motor passenger car—Europe, reckons that Senator sales would benefit in Britain if the change was made because "Vauxhall" to fleet managers means "British" and they prefer to buy British vehicles.

Pressure

Supporters of a change for the Senator point out that although Ford's Granada has been under some pressure from its competition of late, it has remained the best-selling executive car in Britain last year—almost certainly because the fleets also see "Ford" as being "British."

For example, there is the true story about the area police committee which drew back in collective horror when asked to approve the purchase of



John Fleming (above), Vauxhall's chairman, and John Bagshaw, GM European sales director: both face the fleet managers' preference for 'British' vehicles

BMW cars. The obvious questions were asked: Why did the police need German cars? What was wrong with buying British?

So the police force, with the blessing of the committee, cancelled the order for BMWs and bought half a dozen Granadas instead.

The committee, apparently unaware that Ford builds all the Granadas in Germany, believed the police were, after all, "buying British" by buying Ford.

The volume manufacturer who wants to offer a full range of cars, from the mini to the executive express, certainly faces a difficult problem.

Executive car buyers are often obsessed with "image" and usually by choice would opt for a car from one of the manufacturers who are perceived to make only up-market cars.

The attitude is summed up in the phrase: If you can afford a top-of-the-range Granada at £14,300, why buy a Ford?

In Britain, the answer frequently is that the rest of the cars in the company's fleet are Fords and the fleet manager wishes to remain loyal to one manufacturer.

Thus, nearly 24,000 Granadas were registered in Britain last year and the model accounted

for 18 per cent of the executive car sector.

Compared with that, about 2,040 Senators were sold, a useful increase on the 451 for 1982 but well behind the Ford model.

However, GM's executive car range in the UK also includes the Vauxhall Carlton which straddles that area between the Cavalier and the Senator.

GM carefully revamped the Carlton range to make it more attractive to the UK fleets—and also concentrated all assembly in West Germany whereas previously there was some output in Britain.

As a result, Carlton sales last year jumped from 2,440 to 17,080 and the model's share of the executive car sector from 2.2 per cent to 12.8 per cent.

Ironically, the debate about the use of either Vauxhall or Opel for GM cars in Britain has no counterpart in Continental Europe. GM withdrew the Vauxhall brand some years ago because of the sales resistance to British-built cars.

And there is no set pattern among the European companies which have more than one marque or brand for their cars. Mergers have provided Fiat with Lancia; Volkswagen with

Audi; BL with Rover and resulted in France in the Peugeot-Talbot-Citroen combine.

Peugeot's policy, partly thwarted by its lack of funds, was to have a full range of cars under each badge.

Fiat reserved Lancia for up-market vehicles but, because Italy, in its domestic market, prefers small cars, includes those in the Lancia range as well.

Confused

Volkswagen, however, is in the process of establishing a clear-cut image for Audi as a maker of executive cars, not run-of-the-mill runabouts. And, to capitalise on the demand by West German customers for cars incorporating "high technology," all the Audi models will be made available with four-wheel-drive.

BL's attitude seemed clear until recently because the Rover was firmly established as an executive-cum-luxury car at the top of the Austin Rover range. Now the image has been confused by the introduction of a "Rover" that is much smaller than in the past and uses an engine of only 1.5 litres.

The model in question, the

Rover Acclaim, is based on the Honda Ballade and the decision to change from using the Triumph badge was hotly debated within Austin Rover. Certainly the Rover Acclaim hardly qualifies for the executive sector because of its size.

One new car which does come into the executive class is the Renault R25 on which the French group spent FFr 1bn (about £91m) to replace the R20 and R30 models.

Realistically Renault does not believe the R25 can capture many sales from the specialist groups such as BMW, Mercedes, Saab and Volvo.

Rather it contents itself in the belief that the R25 can win sales from other volume makers' top-of-the-range cars such as the Granada, Senator, the Peugeot 604, Citroen CX, Audi 100 and BL's Rover saloon.

Renault says that customers who are interested only in "image" or "prestige" cars will never be converted to buying from a volume manufacturer. However, in Europe that "image" and "prestige" sector is on the wane.

The R25 offers the dedicated Renault driver a chance to continue to drive a Renault when he wants to move up to the executive class. The car will not be short of competition in the next year or so.

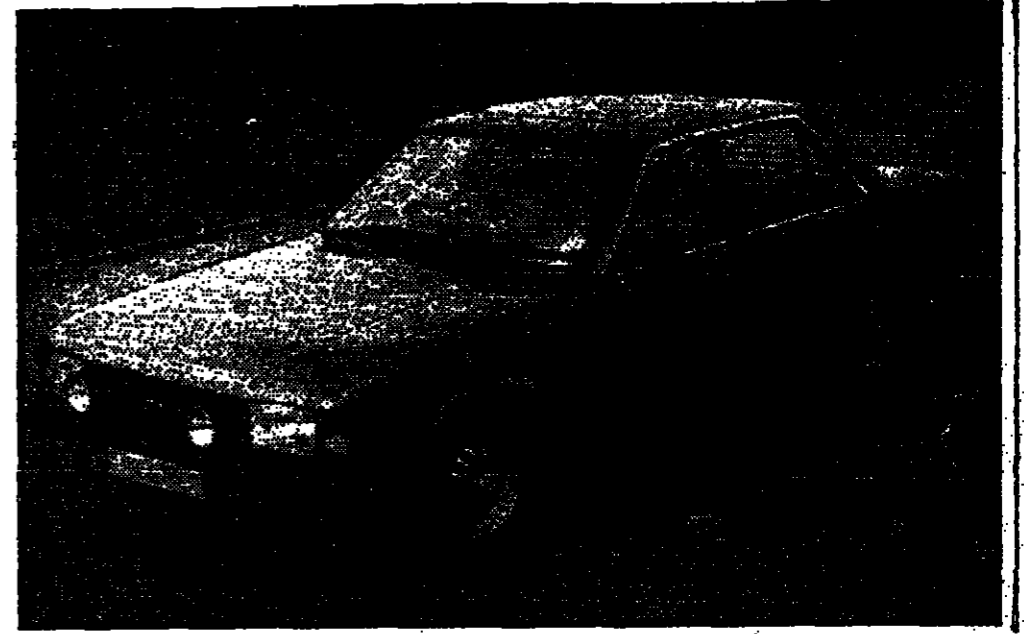
Ford is expected to replace the Granada early in 1985 (probably giving a first public viewing in the autumn this year). "Sneak" photographs of the new Granada show its concept is similar to the aerodynamic Sierra.

Austin Rover is only a year away from launching its XX, Rover replacement. A version of XX, with a clearly-defined different identity, will be made by Austin Rover for Honda, its Japanese partner in the project, to sell throughout Europe.

The result of another joint scheme, between Fiat, Saab and Alfa Romeo, is beginning to make an impact on the executive sector.

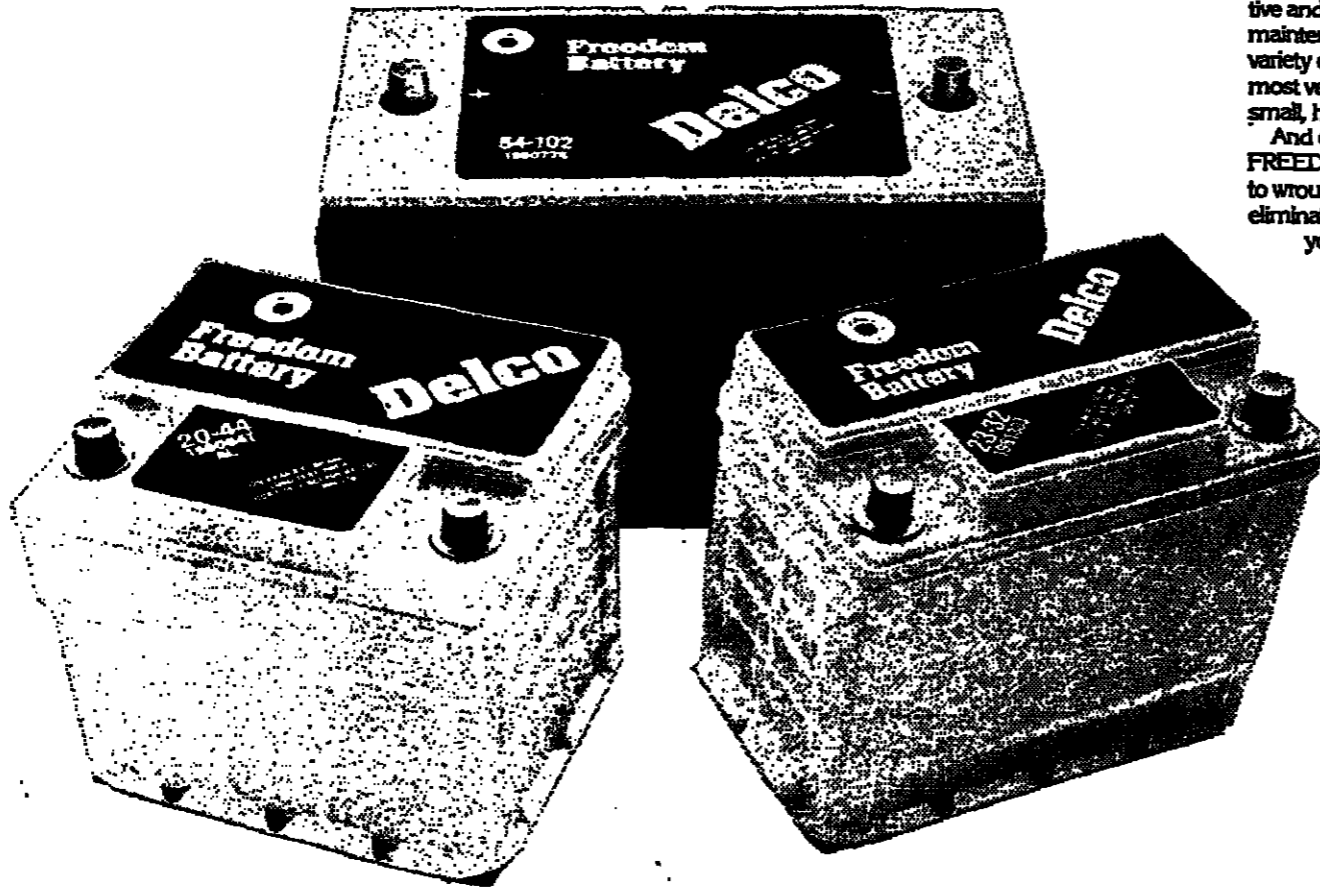
The co-operation has spawned the Saab 9000, the Swedish group's new flying flagship, the Lancia Thema—both already publicly previewed—and eventually will replace models as diverse as the Fiat Argenta, Lancia Tempra and Gamma, Alfa Romeo Alfasud and Alfa Six.

Kenneth Gooding



Top: the Ford Granada, expected to be replaced in 1985. Centre: Rover's 2400 SD Turbo; a Rover replacement is also on the way. Above: carrier of Volkswagen's up-market badge is the Audi 100

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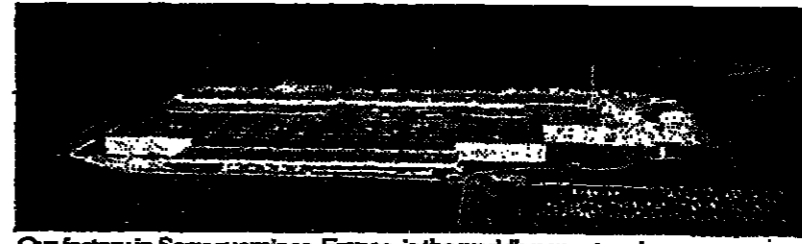
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EXECUTIVE CARS 8

U.S. exchange rate shift provides much-needed boost

Recession hits Rolls output

Luxury cars
JOHN GRIFFITHS

ROLL-ROYCE, the best known of the now very small band of UK luxury car makers, has had a very tough time since the onset of recession—and in the UK it is still having one.

Sales in the first five months of this year were just 274, compared with 332 in the same period of 1983 and vastly removed from the 764 it sold, for example, in the first five months of 1979.

Until this year, the pattern had been the same in the U.S., which rivals the UK in importance to Rolls. And overall, the Crewe-based company's output dropped from 3,018 in 1980 to just 1,568 last year.

The company's directors had expected output to move up—to about 3,500.

The reasons behind the decline are complex, but appear to have their genesis around 1980. Rolls and Bentley sales had held up well until then—Rolls believes that as a luxury car maker it is always among the last to go into recession and, equally, among the last to come out.

But gradually, as the unemployment lists lengthened and lay-offs mounted, it became increasingly unacceptable for a company chairman or other senior director to drive past the company board carrying the redundancy notices in a new Rolls-Royce or Bentley.

It took some time, however, for buyers in general to appreciate that the good old days of being able to buy a Rolls, run it for a couple of years and then get virtually what was paid for it, were over. But once they did become aware that Rolls-Royces were depreciating by anything up to the price of a new Jaguar in just 12 months, the slide began.

The problems were compounded in the U.S. by soaring interest rates, and the unexpected strength of sterling. Sales plummeted there, too.

Thankfully for Rolls, the exchange rate more recently has moved heavily in favour of UK exporters—sufficiently so for Rolls to top up to \$18,000 off its models in the U.S. last year, with the result that, it says, it actually had a shortage of cars by the end of the year.

Peter Ward, Rolls-Royce's marketing director since February of last year, says the improvement in the U.S. should continue.

But if Rolls-Royce is to meet the targets it has cautiously set for itself this year—2,400 sales



'Office' in the rear compartment of the Daimler Executive Limousine is equipped with TV, video, computer and copier for facsimile transmission. Jaguar may sell these cars in the U.S. next year.

worldwide—then the situation in the UK has got to improve rapidly. So far, the sales figures are going in the opposite direction to the 15 per cent improvement that Mr Ward predicted by the end of this year.

Clearly, depreciation trends have been one of Rolls-Royce's biggest worries.

To prop them up, the company took several actions last year which, it must be presumed, are only slowly working their way through the market-place.

One tactic was to promote heavily used cars, launched in April last year. A few months later, it was backed up by a scheme under which the buyer of a used Rolls-Royce or Bentley could buy, for £500-£600, a two-year warranty on any car with less than 70,000 recorded miles.

Strengthened

The residual value figures, as *Class's Guide* illustrates, have since strengthened somewhat—but still the new car orders are missing.

What does seem clear is that price—the "basic" Rolls-Royce Silver Spirit costs £53,940—is not necessarily the main deterrent. The one model that Rolls-Royce is doing particularly well with is the Bentley Mulsanne Turbo, at £62,000—which has helped lift Bentley's share of total Rolls-Royce output from 7 per cent to over 20 per cent.

It remains to be seen what other tactics Rolls-Royce might

try to improve the picture. Certainly, the company does not have open to it the options of significantly changing the model mix in search of improvements.

Any new, lighter car is unlikely to appear before the end of the decade. And in the meantime, Rolls will continue its policy of continually updating and improving those that exist.

It is also facing the future with yet further management changes, after the wholesale reorganisation which took place last year.

The changes included the departure of Mr George Lewis, the president of Rolls' U.S. operation for many years.

Now, Mr George Fenn, who has been chief executive of Rolls-Royce since its merger with Vickers since 1980, is to retire early, aged 57.

He will be succeeded next month by Mr Dick Perry, 53, who spent nearly all his career with Vickers before joining Rolls-Royce in the late 1970s. He has been managing director of the cars division since 1982.

Life has been little less traumatic for Aston Martin, the Newport Pagnell-based manufacturer of 140 mph luxury sports cars and the Rolls-Royce-rivalling Lagonda (it also makes the 170 mph Vantage, which tied—until Ferrari launched its 180 mph, 400 bhp GTO at Geneva in the spring—for the title of world's fastest production car).

Earlier this year, Aston Martin acquired its tenth set of owners—this time round, its North American distributor, Automotive Investments had bought 55 per cent of Aston Martin Lagonda—the actual car-making operation—in July of 1983 from Mr Victor Gauntlett's Pace Petroleum concern. It also acquired from CH Industrial, Aston's other joint owner, 50 per cent of Aston Martin Tickford, set up several years ago at Milton Keynes to develop contract engineering work.

In February, CH sold its 45 per cent holding in Aston Martin Lagonda to Automotive Investments, while Automotive Investments sold to CH the 50 per cent stake it had earlier picked up in Tickford.

The upshot of this labyrinthine deal is that Automotive Investments now wholly owns Aston Martin Lagonda, which is set to go its own way from Tickford.

During the early part of last year, while the manoeuvres were going on, industrial relations deteriorated somewhat and car production came to a virtual standstill following the departure of Mr Gauntlett.

However, since last summer, after selling his Pace Petroleum interest, Mr Gauntlett, a dyed-in-the-wool car enthusiast who races vintage cars, has been running the operation fulltime as chief executive.

Production is back up to five cars a week, the best in recent years.

Resources

Perhaps most importantly, however, Automotive Investments is providing Aston Martin with the resources to develop a new car, which will be about one-third less expensive than current models, which start at about £40,000.

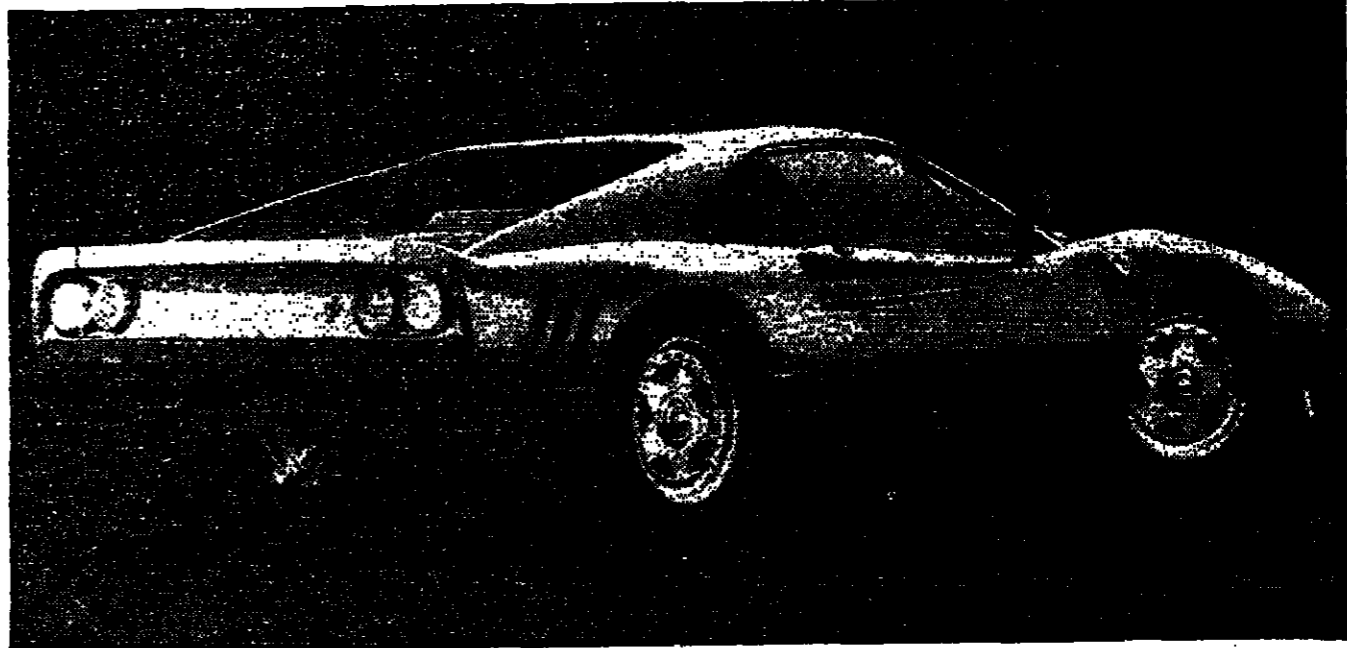
Thus from 1986 onwards Aston Martin should be in a position to compete directly with the top end of the Porsche and Mercedes range—with considerable potential significance for expanding output, and perhaps employment. The car, says Mr Gauntlett, will cost about £25m to bring into production.

Meanwhile, there continues in very limited production—only one a week—the only other true rival to both Aston Martin and Rolls-Royce: the Bristol.

Eastal Cars, named for its past connections with the aircraft business and produced a short distance from British Aerospace at Filton, has continued at the same production level for many years. Its large sporting saloon cost about £45,000 and include a 140 mph turbocharged model, the Beaufighter.

Thus with new car sales generally recovering, particularly in the important North American market which took 20,200 Porsches last year, sales have been bounding ahead. They were up 39 per cent last year, and are up a further 18 per cent in the current year.

Even so, the metalworkers' strike apart, it has been a highly eventful year for the company.



The world's fastest sports car for road use, the Ferrari GTO, was launched at this year's Geneva Show. It is capable of 185 mph-plus and is being sold in limited production for about £50,000.

Higher demand brings upturn

Sports cars
JOHN GRIFFITHS

WITH FEW exceptions, specialist car makers catering to the sports executive sector are enjoying an upturn in what has become well known as a volatile and cyclical part of motor industry business.

Porsche, the West German sports car maker, is also an exception—but for different reasons.

For a start, it does not fit readily into the fraternity of the truly small specialists, such as Lotus, Lamborghini, TVR and Maserati, whose output is measured in terms of hundreds each year.

In its financial year to last July 31 Porsche sold 44,800 cars. Yet, though it has a reputation to match those of its fellow West German executive car makers, Mercedes and BMW, it is only a tenth their size.

Not least, however, unlike virtually all the other small specialists, it has continued to make profits despite oil crises and at times it has appeared almost recession-proof.

It appears to provide the classic example of how buyers will continue to pay a premium for a product if its reputation for technical and engineering quality is high enough, in turn guaranteed by the funds for investment in continuing model development.

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Snapped up

Its owners, members of the family of the late founder, Dr Ferdinand Porsche, in the spring decided to launch non-voting preference shares on the West German stock market. They were snapped up and Porsche wound up with a net DM 98m cash capital increase, making yet easier the funding of its ambitious model programmes for the future. It has also made it easier to do something about production capacity, which is straining at the seams.

At the same time, Porsche's plans to end its U.S. joint distribution agreement with Audi and have "agents" selling the cars on commission, has run into trouble. Some U.S. dealers filed legal actions. How the final arrangements will turn out is still unresolved.

None of this, however, has affected the underlying progress Porsche has been making in further improving and expanding its three basic product lines, the 924 and 944, the rear-engined 911 series and the largest 928 models.

Towards the end of last year, Porsche increased the power of its 150 mph-plus 911 models. The impetus for this, it seems,

was to continue to have a performance differential between the 911 and the new turbocharged 944 car which Porsche is expected to launch later this year.

This year, it also launched the most expensive Porsche ever, which sells for about £50,000 in West Germany. However, only 200 of the 911 C/RS will be built—the minimum number needed to allow the car to take part at the top levels of motor sport.

A four-wheel-drive Porsche is also reported to be on the way, while Car magazine—which specialises in prying into manufacturers' model plans—recently suggested that Porsche in the next few years plans to launch a "bargain basement" model—at £10,000 or less—using some Volkswagen components.

Reputation

In many ways, the reputation of the small UK manufacturer Lotus rivals that of Porsche; certainly in terms of engineering ingenuity.

But the last couple of years have been traumatic for the Norfolk-based company. Colin Chapman, its founder and one of the acknowledged engineering geniuses of the post-war period, died of a heart attack nearly two years ago and the company has only recently shaken free of Inland Revenue probes into Mr Chapman's and Lotus's precise roles in the abortive De Lorean sports car venture.

Towards the end of 1982 Lotus was on the brink of financial disaster, its advisers desperately seeking some way of injecting new finance into the company.

Rescue came in the form of the extrovert Mr David Wickins and his British Car Auctions group and Toyota, Japan's largest car maker, with which Lotus had formed collaboration links a couple of years earlier.

Now, says chief executive Mr Michael Kimberley, "we've got money in the bank and owe no one anything."

The new-found confidence saw Lotus planning to re-enter the U.S. with a bang this year with sales of 350 cars through a new distribution network. But it did not reckon on the Inland Revenue slapping an £85m provisional tax assessment on the company at the end of 1983.

Throughout the four months it was in force, Lotus protested consistently that it was merely a device through which the Revenue could pursue De Lorean investigations.

It was indeed withdrawn a few weeks ago—but Lotus is bitter about the fact that it undermined the company's U.S. launch, with dealers refusing to sign up until the affair was resolved. Lotus should have had 40 U.S. dealers by the end of January, they are signing now, but there are still so far only 30 and Lotus is resigned to selling just 175 cars in the U.S. this year, despite the efforts of Mark Thatcher, the Prime Minister's son, hired by Lotus to promote sales there.

However, Lotus is confident of lifting production this year from 440 cars to 860, and UK sales are up 36 per cent. It has also found the confidence to shake up its dealer network. It dropped 10 dealers last year, leaving it with just 19, and the network has only now been built back up to 25.

The dealer action has gone hand-in-hand with a major drive on product quality—an issue about which Lotus has been sensitive to criticism. It has been replacing suppliers at the rate of five a month recently. "We are determined to get the right reliability image," says Mr Kimberley.

Changes in existing models are in the pipeline. At the UK motor show in October Lotus will present its own concept car, showing its ideas about the future.

Most important of all, Lotus is now just 30 months away from launch of the X100—a new two-plus-two Toyota-powered sports coupe which will sell for £9,500 and is intended to be produced at the rate of 5,000 a year.

"It will be," says Mr Kimberley, "the Lotus Elan of the 1980s."

Two other sports cars from the small specialists are also expected to make a considerable splash at the show.

Panther, the Surrey-based maker of 1950s-appearance "sports" cars rescued from receivership by South Korean businessman Mr Young C. Kim nearly four years ago, will launch a totally modern sports coupe very much in the shape of Ferraris and Lamborghinis—though not quite possessing their power, since Ford's XR3i and 2.8 litre V6 engines will be used.

The aluminium-bodied "wedge" will sell for under £10,000. As with the existing Kallista models, its aluminium panels will be shipped in from Korea.

It could well mark the emergence of Panther as a serious specialist producer. In the past few months, it has opened a second factory, and lifted Kallista output from seven to 15 cars a week. The company

already employs 140 workers and will take on more as the new car comes on stream. Mr Kim has plans to expand sales in Europe, and eventually to take the new car into the North American market.

Reliant, builders of the Scimitar sports estate at Tamworth, Staffordshire—although its main output is the Reliant three-wheeler—is also to launch a new sports car at the show. It has been conceived as filling the market niche for open two-seater sports cars vacated by BL with the demise of the MG8, Triumph TR7 and Spitfire.

These cars once accounted for a 20,000-30,000 a year market in the UK alone, but were uneconomical for volume car makers to build. Reliant believes its car, expected to sell at £7,500 or less, will find enough demand to make its production economic, despite the rise of the "sports hatchback" saloon, apparently replacing the traditional sports car.

Coupes

TVR, the Blackpool-based maker of open and closed sports coupes, launched its fastest car ever this year, a version of its Taimin powered by the 3.5 litre V8 from the Rover Vitesse. It, too, is finding demand across the world outstripping its ability to supply. That ability is in any case small. Given current capacity and little more than 100 workers, it is having difficulty building 800 cars a year, but has firmly set its face against rapid expansion—in the uncomfortable awareness that in the past there has always been a downturn.

It has set its main sights on the U.S., where this year it has set up new distribution arrangements and expects to sell 300 cars, or 60 per cent of output.

Meanwhile, Morgan, the oldest of UK-based "traditional" sports car makers, soldiers on, churning out its inevitable 500 units a year, no matter for how many years ahead the orders stretch. Its consistent refusal to be tempted into larger production has stood it in good stead; this year, the company will celebrate its 75th anniversary.

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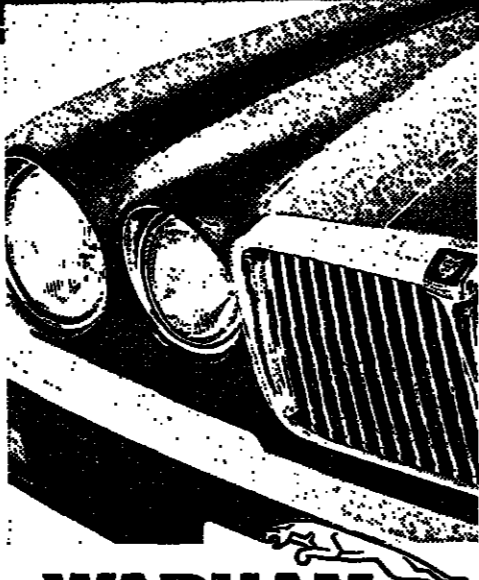
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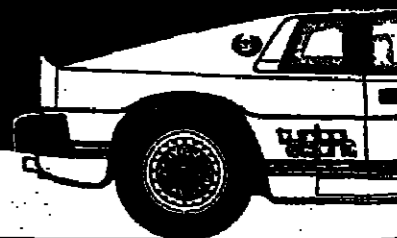
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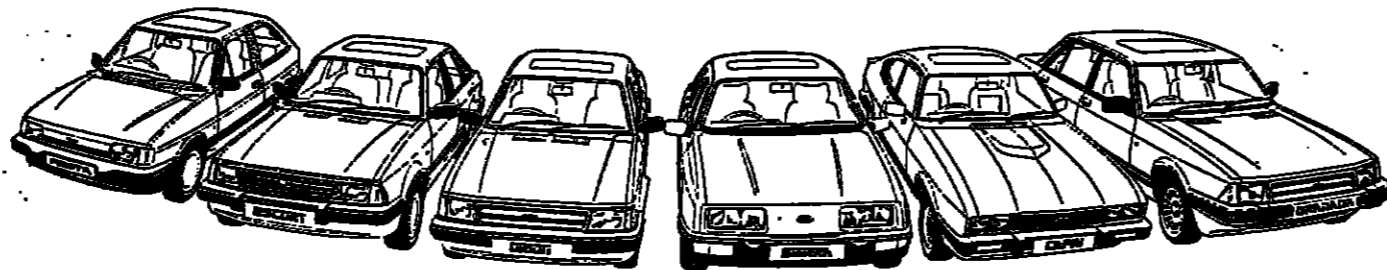


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EXECUTIVE CARS 10

Stuart Marshall test drives some of the wide range of vehicles available

Wide range for business user

THE RANGE of cars of appeal to the business user has never been larger than now and one really can say that there is no such thing as a bad executive car; merely that some are better than others.

An old friend that has recently appeared in a new guise is the Alfa Romeo Alfetta. The Gold Cloverleaf has an interesting microprocessor controlled fuel injection and ignition system. Combined with a timing control that adjusts the inlet camshaft, it assures maximum torque and output at both ends of the engine speed scale.

In town, you get very lively acceleration; on the motorway, good economy. The mock wood steering wheel jars with the 1984-style fascia and the gearshift needs knowing. A car of character, though, if mainly for Alfa buffs.

Audi, the up-market end of VAG, is pushing hard—and successfully—for a place in the business user market. Two Audis that particularly impressed (other than the 100 turbo-diesel described elsewhere in this survey) were the 80 Quattro and 200 Turbo. The permanently all-wheel driven Quattro is a proper four-door, 4/5 seat saloon of slightly dated appearance with a five-cylinder engine, fuel injected

and muscular enough for a 120 mph maximum. Handling and roadholding, especially on slippery roads, are quite exceptional. I look forward to the day when all fast cars have all-wheel drive.

The Audi 200 Turbo, which carried me at over 140 mph on the autobahn quite undramatically, can also be spectacularly economical in its manual version, given restraint. There is some tyre-induced road noise but little else to complain about.

Pleasing

BL's new Montego Vanden Plas and MG, two-litre engined and power steered, are worthy executive transport, the MG perhaps more so for the press-on driver. Even the standard 1.6 Montego is a pleasing car, distinctive outside and roomy within with a very large boot.

For the time being, the two-litre "O" series engined Montego models are available only with an excellent Honda-supplied five-speed gearbox. There will be automatics in due course. The fuel-injected MG Montego 2.0 EFI handles so well that the arrival of the turbocharged version toward the end of the year will give BL a car that, for the first time in many years, will be a

real challenger to performance-orientated imports.

Providing a car of modest size is preferred, the BMW 3-series four-door saloons with engines ranging from a 1.8 litre four-cylinder to a 2.3 litre inline six, all fuel-injected, have everything in their favour.

A 1.8i, well laden, and high enough geared to need fourth now and again on inclines, rushed me up a rain-drenched autoroute from Nice to Sallieau just before Christmas, putting 60 miles into each hour with relaxed ease.

Just available in Britain are two new BMW Alpha models. The CI, based on the 323i, and the B3, a modified 5-series, have up-rated suspensions and ultra-profile tyres to cope with extra performance but are comfortable as well as quick. So quick, in fact, that one wonders why people crush themselves into cramped supercars when the same sort of performance is available in a car you can sit up in and see out of properly.

As an alternative to cars in the Montego/Cavalier/Sierra class, Fiat has introduced the Regata saloon (a Strada derivative). The 100 Super felt happy on the autostrada at a slightly illicit 100-mph plus. Ford's Orion 1.6i Ghia is for the user who would like an XR3i but

accepts less performance for the sake of a better ride, less noise and four doors.

Jaguar's XJs have been around so long that one should not continue to be astounded by the quality of the ride, which is excelled by none and approached by few. The straight-sixes get a bit thrashy if worked hard in the manual gears but most Jaguar drivers prefer automatics anyway.

Slimmer

The new XK40, not due until 1985, will have the single overhead camshaft engine now used only in the XJS-3.6. It is not quite as slick as the V12 but better than the old twin-cam sizes, as it should be. With a new four-speed automatic and a slimmer though not radically changed body, it should take Jaguar to the turn of the century.

It is to be hoped that Jaguar has resisted the temptation—and the urging of certain trendies—to make too sharp a change of direction. The appeal of Jaguar cars has always been based on their looking like a traditional hand-made British car of quality while being sold at a fraction of the price.

Few of the senior managers or professional men who drive Jaguars probably have the skill or the inclination to exploit

their superlative handling to the full. But they are well aware that the almost total suppression of road-induced noise eliminates travel fatigue. The aroma of hide, the glint of wood veneer, the Bond Street-cum-St James's ambience of the interior; these are vital ingredients of the Jaguar's sheer mystique.

There are many fast and luxurious cars with plastic interiors reflecting the latest thoughts of top stylists. But there is only one Jaguar. It is a British car, Buckingham Palace and it is this as much as the sheer performance that appeals to home and overseas buyers.

The Mercedes 190 is not as similar to the BMW 3-series four-door as was expected. Despite its small size (by Mercedes standards) it feels traditionally solid and enduring. The 190E has a useful performance advantage over the 190 with a carburettor engine but a BMW 323 will see it off on an autobahn. Few cars are more driver-friendly, though, than the 190, with its inspired rear suspension. The 190 diesel with an encapsulated engine is eagerly awaited.

The 380 and 500 Mercedes saloons still set the standard against which other volume-produced top executive cars are judged. Tyre rattle from coarsely textured road surfaces is not as well isolated from the interior as it might be and I find the seats a little hard. But they personally efficiency and engineering integrity and deserve their high status.

The Opel Monza with its electronic instrumentation, 3-litre straight-six, power steering and German quality interior, comes close to the BMW 5-series coupes in driver appeal if not, perhaps, in status. A nicely balanced car, this, as is the Senator saloon.

The Peugeot 505GTI combines traditional bourgeois comfort and respectability with a good deal more pep than one expected. As always, the ride is at the top of its price class and Peugeot understands tuning seats to match suspension rates.

A Peugeot 505 is always enjoyable to drive, even if it is a lesser model than the fuel-injected GTI, because it is so undemanding. They are not enthusiasts' cars, merely fast, untrusting transport for drivers to whom it is better to arrive than



Above: Renault's new 25 model and (below) the new Mercedes-Benz 190



to travel. For the kind of driver, in fact, who reckons that if a car is reliable, is quiet enough for the radio to be enjoyed at motorway speeds and has truly comfortable seats, then anything else is a bonus. The older 504 was this sort of car. It was a magic carpet on the road, but did not take kindly to driving styles best reserved for test circuits.

Porsche's quality is unsurpassed. The 928 was scoffed at by cynics—the wool Porsche does so lacking in the only true Porsche had an air-cooled, horizontally-opposed engine at the rear. It was, they said, more of a limousine than a sports car.

They are entitled to their view but I do not share it. The 928 may not have that animal quality that can be so appealing in the 911 but it is one of the few sporting cars ideally suited to long distance, very high speed business travel.

The 928S Series 2 I drove recently had the four-speed automatic transmission—much nicer than the five-speed manual box for the business user. It is an ideal car for the customer who might find a Mercedes 500

too large and too staid though otherwise suitable.

Renault's new 25 is due here in the near future. Trying a 2.2 litre version in France some months ago, I found it was the quietness of engine and lack of wind noise that impressed most. A good ambience, really, for the sensational six-speaker stereo with controls only a fingertip away from the wheel. I'm not sure about the rear end; a curious mix of a glass hatch with a sill as high as a saloon car's boot.

Responsive

Rover now offers the Vitesse with automatic transmission. Performance is hardly affected; it is pleasanter car in town than the manual. But why do I always feel a little claustrophobic in a Rover? The handling is excellent and the ultra-low-profile tyres make the Vitesse feel even more responsive to the movements of the steering wheel.

Saab's Turbo 16 and the 16S with some nice-looking and evidently effective aerodynamic aids have intercooled engines which suffer so little from turbo lag, and develop so much torque,

that they are almost one-gear cars on the open road.

The hand of the engineer—even the aeronautical engineer—is to be seen everywhere in the Saab range of cars. Their looks are not classically beautiful and fashion plays little part in their shaping.

To wring more and more power from a no longer young four-cylinder, two-litre engine while improving its flexibility, economy and tolerance of lower grade fuel has become almost a continuing miracle for Saab. After the 16-valve cylinder head, with anti-detonation ignition control and effective cooling of the air after compression, what can Saab do to improve the two-litre further? No doubt it will show us in time.

Volvo, too, has taken to turbocharging. The 760, with a turbo version of the 2.3 litre four-cylinder engine, is so quick and flexible it almost makes the V6 feel redundant. For the executive who cannot prise a 3-series BMW out of the firm, a Volvo 360GLE injection four-door saloon would be adequate. The ride is firm in the German manner but it is a lusty car that does what it is told and feels safe as well as willing.

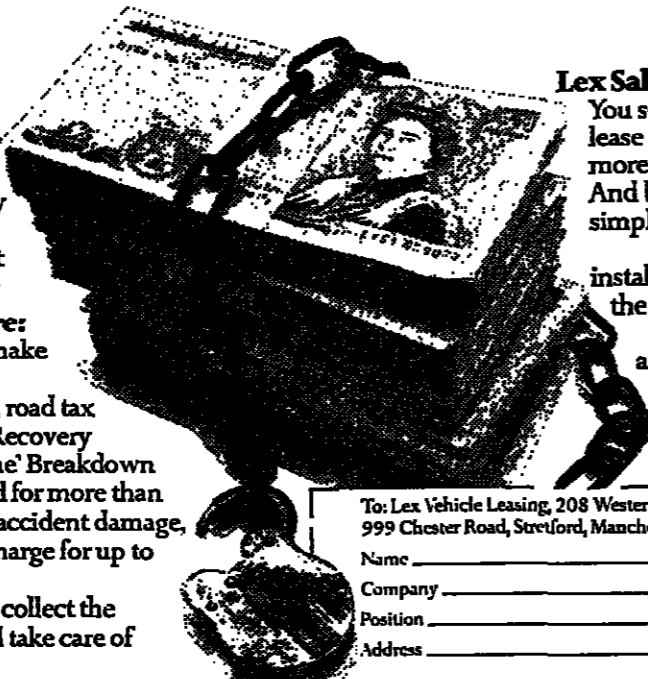
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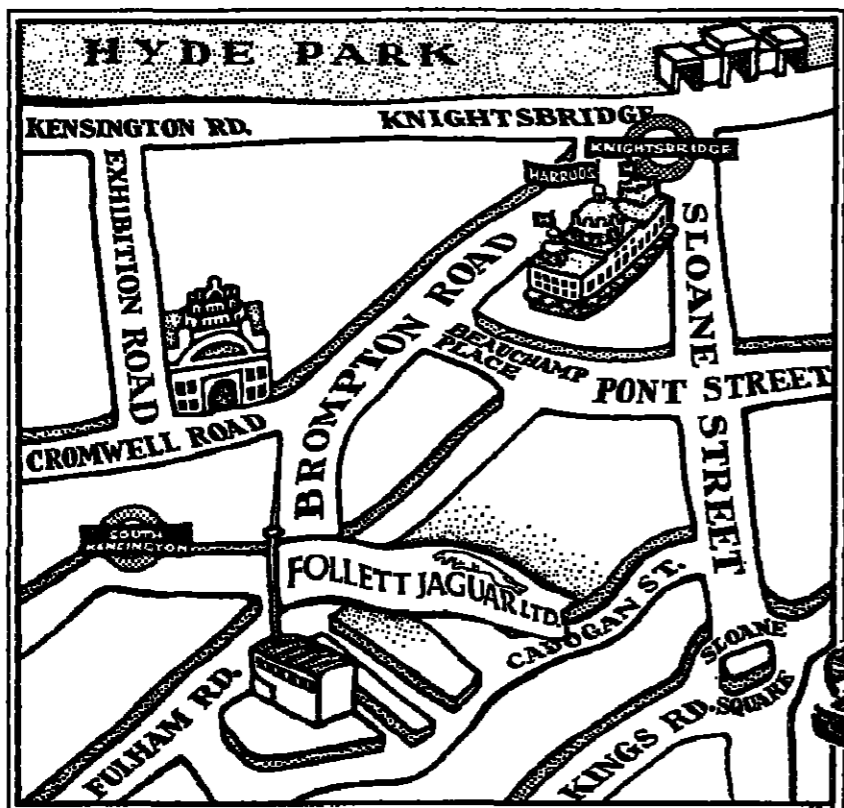
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BY THE standards of most other European countries, the British market in diesel cars is very small. In 1982, total registrations were 14,830. Last year, they rose by 69 per cent to reach 24,600 registrations, or 1.37 per cent of the market. This year, not least because of Ford's entry into the arena with a 1.6 litre diesel engine of its own manufacture, registrations are confidently expected to exceed 50,000 to take well over two per cent of the market.

That will still be small compared with Europe, but it illustrates a startling growth. However, the question has to be asked: why are fewer diesel cars bought in the UK than in any other country or the EEC? The reasons are complicated. In the first place, fleet buyers tend to favour British (or at least British sounding) makes of car and, until recently, a diesel car was by definition an import. Ford dipped a toe in

the water first with a diesel Granada, powered by an aged Peugeot 2.1 litre engine that was so lacking in power that it made all the horror stories told of diesel cars seem true.

More recently, Ford has bought in 2.3 litre and 2.5 litre Peugeot diesels for the Sierra and Granada which perform extremely well. With the introduction of an in-house 1.6 litre diesel for the Fiesta and Escort-based models, every Ford car except the Capri is available with a diesel option.

Vauxhall, with its own 1.6 litre diesel, was in the game with the Astra and Cavalier more than two years ago. BL has been offering a version of the SD-1 executive saloon with an Italian Fiat 2.4 litre turbo-diesel engine and plans to offer a diesel Montego in the fairly near future.

So the fleet buyer now has a reasonable variety of British diesel cars to choose from—though only two of them—Ford Granada 2.5 and Rover 2.4td—are in the executive class, and even these "British" cars are really Franco-German and Anglo-Italian. But never mind—they are perceived as British, and that is what counts.

Variety

There is, of course, large and growing variety of diesel cars from EEC countries, and increasingly from Japan, though few fleet buyers will countenance a Japanese vehicle for company policy reasons. These imports run the whole gamut from super-economy hatchbacks (Peugeot 205 and VW Golf diesels) to super-luxury cars suited to the tastes and status of higher management.

Typical of these are the Volvo 760, Citroen CX25 DTR and Audi 100 turbo-diesels. Whereas the baby diesel hatchbacks will yield 55-60 mpg fuel consumption at normal motoring speeds, the big turbo-diesels offer close to normal senior executive car performance combined with the fuel economy of a small family saloon.

The diesel car's economy is most apparent in stop-start conditions and least evident during sustained very high speed driving on motorways. Urban cycle figures are typically 50 per cent better than those of their petrol equivalents, the margin often shrinking to a 10-15 per cent advantage at 75 mph or higher.

The lower price of diesel fuel helps but is not the critical factor in popularity. In Britain Derv (gasoil) is about 10p to 15p per gallon cheaper than 4-star, according to area, which is about the same price differential as in Germany. Yet

Germany, which is also the land of the unlimited autobahn, has one of Europe's highest diesel car penetrations.

This apparent paradox contains a clue to the diesel's low market share in Britain. The high mileage British driver who, it would appear, pays for the fuel. There is a company car in Germany and other mainland European countries. An employee using his car on company business gets mileage payment. And he stands to come out of the deal better with a diesel car than a petrol-engined model.

Because of the relative lack of diesel cars, few British drivers have any idea how a really modern one performs. Conventional wisdom still has it that diesels are smelly noisy and sluggish and brutes to start from cold. None of this is true nowadays.

The typical car diesel, whether purpose-designed or a dieselised petrol engine, starts on the key after a few seconds wait for the pre-heat system to operate. After a fairly noisy first minute or two while it warms up, it idles with a rattle, not a clatter, and at normal speeds runs as smoothly and quietly as a petrol engine. Turbo-diesels especially are almost as responsive as petrol engines, yet are capable of economy that may still surprise an experienced diesel car user.

For example, I drove an Audi 200 Turbo petrol-engined car to the 81 mph limit on the autostrade and returning 30 mpg. On a return journey to Vienna, a basically similar Audi 100 turbo-diesel gave me 38.4 mpg although full advantage was taken of the deaerated autobahn, to cruise at 90-95 mph, too.



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S. M.

EXECUTIVE CARS 11

Garel Rhys, a motor industry economist, examines the company's prospects in a tough market

Jaguar: the right size to compete?

WHEN IT is read that the optimum size for a car company is one producing 2m units a year, it appears foolhardy to argue that one like Jaguar, producing 30,000 cars a year, could be viable as an independent company. However, Jaguar is already a largely self-contained operating unit, and this is recognised by the company being a distinct legal entity within B.L. Limited.

More than this, Jaguar operates in the luxury car sector of the market and makes no pretensions to competing in the mass market, where large volume is a pre-requisite for survival. Therefore, conventional wisdom concerning the scale of operations required for a profitable operation might not apply where an assessment of Jaguar's viability is concerned.

If a company operates in a strongly differentiated niche in the market it can have considerable control over price. Jaguar, by selling in the luxury market, operates in such a distinctive market niche. This market is above the top end of the large volume "executive" market—say, above £14,000 per car—but is below the exclusive super luxury and exotic sports car sectors where cars cost over £40,000.

Therefore, unlike the mass market and the large volume executive car market where a large number of sellers generate intense competition, Jaguar is faced with only a small number of, albeit stiff, competitors. In short, although some cross-elasticity of demand exists between the luxury market and the very top of the executive market (that is, the market for the most expensive versions of a particular executive car bodyshell, such as the Ford Granada, Volvo 740, Rover V8 and so on), the main competitors faced by Jaguar are:

Model	Output
Mercedes 457 series	100,000
Benz 4/7 series	30,000
Porsche 911/928	16,000
Cadillac All models	100,000
Lincoln All models	20,000

To these might be added Lotus and Maserati, but companies such as Rolls-Royce, Lamborghini, Bristol, Aston Martin Lagonda and Ferrari are for the most part in an altogether higher price bracket.

Although the basic competitive environment facing Jaguar is as depicted, the state of flux in the car market will always generate new circumstances. Already the last 12 months have seen increased overlap between the top end of the executive car range and the baseline Jaguar model. This was as a result of the volume producers introducing more luxurious versions of new or existing models, further into the executive sector, since mid-1983, the price of its cheapest car.

In addition, freed from interference by B.L. which was designed to avoid direct competition between Rover and Jaguar, the latter will be able to price its products and position them in the market solely in its own best interests. It would be surprising if this freedom was not reflected in the baseline XJ40 being positioned slightly further into the executive sector, with a "quality-adjusted" price set to interest those customers prepared to spend over £12,500 on an executive car.

Clearly this will increase the competition between Jaguar and the volume-made executive cars but it will significantly increase the market available to the XJ40 and may obviate the need for a "small" executive class Jaguar.

Single shift

Jaguar's present capacity of about 32,000 vehicles a year (say, taking much higher would threaten quality control) is based on a single-shift operation. Clearly a second shift would double this. In addition, the present Mark III saloon is the product of a 20-year-old design and technological philosophy. The new XJ40 saloon due to appear in 1985 will reflect modern design and production methods and will only have about two-thirds the present build time measured in man-hours.

This should increase the single-shift capacity to about 43,000 units a year, with a second shift having obvious implications for aggregate volume. In other words, the new model reduces both variable costs and spreads fixed costs over a larger volume. In terms of man-hours the XJ40 brings Jaguar's productivity into line with that of Mercedes and BMW. This will result in more than five cars being pro-



Jaguar's return to racing in the 1984 touring car championships is aimed at promoting sales in Continental Europe, the company's main target.

duced per worker.

The increase in productivity available to Jaguar should exceed any price reduction needed to increase volume, thereby increasing value added per man. Indeed, if the XJ40 proves to be that good, the surge in demand will be such that the market will bear extra volume at current real prices. In addition, and unlike BMW and Mercedes, Jaguar makes only luxury cars.

The two West German companies also make cheaper executive cars, and in the case of Mercedes, commercial vehicles as well. This reduces value added per worker both because their model mix is different to Jaguar's and in that their cheaper or commercial models (including diesel cars which are often used as taxis) affects company image in some markets. This limits the ability of BMW and Mercedes Benz to charge very high premiums on their luxury models in their large home market.

If the XJ40 is successful then Jaguar's luxury-oriented image will be boosted further. Hence, Jaguar's average added value per employee could exceed that in Daimler Benz by £5,000. Furthermore, and because the UK is now a relatively low wage economy, the average wage per employee (at present exchange rates) in the UK motor industry

is considerably lower than in the West German industry.

If a UK and a West German company have comparable productivity levels, then the UK company could have a considerable labour cost advantage. This could amount to £5,000 per man. Indeed, net of wages per worker, the value added per man in Jaguar could be double that of Daimler Benz. Consequently, and where profits are concerned, the profit margin realised per car by Jaguar could more than offset any advantage in unit costs Mercedes may enjoy from its larger scale.

Given the prices of its products and given the type of profit margin used by a car maker, Jaguar's profit margin should exceed £1,000 per car. This would be consistent with the company's aim of earning at least 10 per cent on net sales of £400m. Looking at pricing strategy, it appears that the company takes Mercedes as market leader, and follows their pricing policy.

However, compared with Mercedes, Jaguar's wages per car must be considerably lower (perhaps by as much as £750). This gives a gross margin per car (ie a 10 per cent net profit margin within the sales price, plus a unit cost advantage compared with the price leader) of almost £2,000, or a gross pre-tax profit of over £80m per year

on present volumes. (This compares with a loss of £35m in 1980, and £19m in 1979.)

If such a profit margin could be maintained on the higher planned volumes, this plus depreciation provision could provide the funds needed for an annual investment programme of at least the £100m needed for survival. This would finance the type of investment in plants, models, power train, research and development required for viability.

Equity

Further, it must be remembered that as the funds invested by the state in B.L.'s rescue were advanced in the form of equity, and as Jaguar was highly profitable in 1983, the company's balance sheet is virtually debt-free. Consequently, interest charges would be minimal, to the benefit of profitability. (However, caution is required here, for the B.L. board might insist on Jaguar being allocated some of the corporation-wide debt.)

At present the company breaks even on a volume of 20,000 a year, or two-thirds of capacity. If a different pricing strategy was needed to clear the market of about 65,000 Jaguars, then the break-even volume would rise, but perhaps not in relation to capacity. However, if Jaguar re-entered

the executive market with a second new saloon, break-even would increase considerably perhaps to the detriment of gross profits.

Jaguar, like its arch rivals BMW and Mercedes, requires five years to develop a new model. If the range was extended to two saloons plus a sports car (perhaps code-named XJ80), and if Jaguar was able to work on only one model at a time, each model might require a 15-year lifespan.

Given the existence of competitors and the fickleness of consumer preference, it would be a gamble to expect each model to retain its competitiveness for 15 years. (The present XJ6 illustrates that such a product life cycle is possible, but nevertheless, such a policy is high risk.) Hence, Jaguar intends increasing its engineering-based research and development expenditures to 4 per cent of net sales, or £16m a year.

This, and other developments, could allow model programmes to overlap, and allow each model to change bodyshells every ten years or so. The new AJ6 engine (a £30m investment utilising some existing tooling), the XJ40 (a £65m investment), the buying in of transmission items, and the refurbishment of the Castle Bromwich body plant, has put the company on a secure basis.

This is especially so in the power train area. For instance, engine manufacturing volume can match that of BMW and Mercedes Benz where their large petrol engines are concerned (although some of the German companies' tooling is common to various engines), while Jaguar secures external economies by buying-in transmissions.

Therefore, strong product differential put Jaguar into a separate, but related, "industry" to that making supermini, light medium, medium and executive cars in large volumes. In some respects, say, in final assembly, optimum conditions in this "industry" might be quite different to those in the mass production "industry." Even so, Jaguar is smaller than many of its rivals and suffers a unit cost disadvantage as a result.

On the other hand, this is offset by lower prices for factor inputs, and an ability to charge a larger price premium per unit because of a more luxurious model mix. The market's demand for variety means that companies operating below optimum scale can charge a price premium sufficient to cover costs and to generate a high net profit. So, strong product differentiation, high productivity, Mercedes Benz's price leadership, and low factor input prices, allows Jaguar, where profits are concerned, more than offset any scale disadvantage.

Under these conditions and a favourable dollar-sterling rate (say, below \$2 to \$2.20 to the pound) Jaguar is viable. That is, the company is profitable enough to finance a rolling product, research and development programme. However, if the product is not sufficiently differentiated, if input costs increase relatively to those incurred by rival companies, and if BMW and Mercedes engage in severe price competition, then Jaguar would not be viable notwithstanding any ability to earn short-term profits.

In addition, it may be difficult for a company with Jaguar's scale of output to establish a strong network of sole franchise dealers. This could weaken Jaguar's marketing efforts.

It is clear that Jaguar could enjoy a prosperous future, but as a small company even in its specialised market it is inevitably exposed to many risks. It is salutary to remember that

in 1966 Jaguar agreed to merge with the British Motor Corporation to form the short-lived British Motor Holdings, partly because it had insufficient managerial and executive talent to secure its future, but mainly because its output volume and gross value added were insufficient to generate the resources needed to complete the financing of its much-needed new model programme before the existing model range became totally uncompetitive.

Umbrella

The present company ought to be able to avoid these problems, but if any of Jaguar's future model programmes should fall in the market-place then the company's future would immediately be put at risk. Consequently, despite the present euphoria, Jaguar might eventually need the financial umbrella of a larger company. If this large company was a car maker it would obtain a marque name that spread its activities into the luxury car sector.

After all, although the mass producers may make a full range of cars, they find it difficult to extend the acceptability of a marque from the supermini to the executive sectors, let alone the luxury market. Hence, Jaguar could give a mass producer the products, cachet and marque needed for customer acceptance at the top of the market. This suggests that despite the medium-term protection given by the Government to ensure that Jaguar remains under British ownership, its attractiveness to another car maker would be of longer endurance.

Whatever the umbrella arrangement, the solution should involve leaving Jaguar as a freestanding subsidiary. Without such a degree of autonomy, the lack of managerial and workforce motivation and morale, so evident in the period 1975-81 would re-emerge. Interestingly, Jaguar's ultimate position within B.L. but with the addition of guarantees that Jaguar's earnings would not be used to cross-subsidise other activities, could have duplicated this state of affairs.

Garel Rhys, of University College, Cardiff's Department of Economics, is adviser on the motor industry to the House of Commons Select Committee on Trade and Industry.

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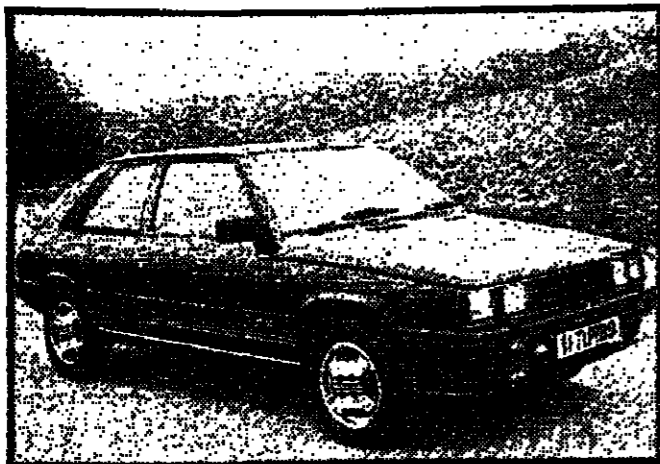
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EXECUTIVE CARS 12

Lorne Barling examines one of the fastest-growing sectors of the market

Lift-off for the pocket rockets



The Renault 11 Turbo and (below) Peugeot's 205 GTI, cars with temptingly high performance



"HOT HATCHBACKS" or "pocket rockets" are steadily edging their way into the executive car market, the Gold GTI having established a place for itself in the late 1970s as a car which the young executive could happily be seen driving.

Around 70,000 cars in this class were sold in Britain last year, and it is recognised to be one of the fastest-growing sectors of the car market, with some manufacturers hoping to see overall British sales approach 100,000 this year.

The Golf GTI, having made the initial breakthrough, is widely recognised to be one of the best cars in this class, having recently been restyled and enlarged, doubtless with the comfort of the young businessman and his family in mind.

However, the Golf is also at the top of the price range, selling at a little under £8,000. It has a temptingly high top speed of 118 mph, and will go through 0 to 60 mph acceleration in 8.7 secs. The latest model adds a number of refinements to this good performance, notably an improved interior and a reduction in noise.

There are a number of theories about why this type of car should suddenly be so popular, and the most convincing

is that it is really a substitute for the sports car, which is no longer available from volume car manufacturers.

Performance

Moreover, the Golf GTI and similar cars offer the owner the advantages of a reasonably-sized family car which does not have to be sold the moment marriage looms. They offer good performance at relatively low purchase and running costs. There are also a number of unusual factors about this sector of the market, the most notable being that the arrival of new cars—such as the Peugeot 205 GTI—tends not to be at the expense of sales of other small, fast cars, but other sectors of the market.

Moreover, sales of these cars are generally increasing as a proportion of their overall model range. For example, a total of about 6,150 Golf GTIs were sold in the UK in 1983, representing about 24 per cent of all Golfs imported into the UK.

The recently introduced Peugeot 205 GTI has attracted some very favourable comment in the press, since it offers performance which is very close to the Golf GTI, but at what appears to be a bargain price of about £6,300.

For that reason, it is expected to be sold in rapidly increasing numbers, although Talbot points out that, having been on the market for only six weeks, no meaningful figures are available. Eventually, it is expected to account for at least 15 per cent of 205 sales.

Talbot believes that the average buyer of this type of car will be in the 25-to-35-year age range and have considerable buying power through a middle executive or professional job. "People like that want the fun of a car with good performance, but without the problems and discomfort which are often associated with sports cars," a Talbot spokesman said.

He added that the development of the Peugeot 205 was closely associated with rallying, and that Peugeot was fully aware of the need for the car to have a high specification if it was to compete in this sector of the market.

Austin Rover is increasingly well represented here, with the recently-introduced MG Maestro and the MG Metro, with widening acceptance by customers that the MG marque is not being sullied by being attached to these cars.

interior size, although with a maximum speed of 111 mph and 0 to 60 mph being achieved in 9.6 seconds, it is no laggard. Last year, about 6,000 MG Maestros were sold in the UK, which was somewhat above expectations, and Austin Rover has been "pleasantly surprised" at the number of MG Metros being sold.

A spokesman said that this market sector was one which had traditionally been dominated by imported performance cars, such as the Renault Cordia and the Golf GTI, but had remained relatively small in terms of numbers of cars sold. Austin Rover had, however, recognised the potential for volume car sales, and gone ahead with the use of the MG badge.

In addition, the company believes that it has a big advantage in being a domestic manufacturer. "You will always find that the home producer has the competitive edge if all other aspects of a vehicle are equal, because insurance and parts costs are lower, there is a bigger dealer network and there is loyalty to domestic products," a spokesman said.

Austin Rover also sees potential for this type of car in the fleet market, since there has been successful, with sales now

representing about 11 per cent of total Astra sales, compared with about 5 per cent last year. The GTE sells at just under £7,000, while the Vauxhall Nova SR comes in at about £5,400.

At the beginning of this month, Fiat also joined in the fray in the UK with the first-ever launch in the country of a model bearing the name of Abarth, long associated elsewhere in the world with high-performance Fiat cars.

The Strada Abarth-130TC is a two-litre variant of Fiat's small hatchback which went on sale in Italy last year. With an engine rating of 130 bhp—15 bhp more than any of its immediate rivals—it should be able to lay claims to being the fastest of all the small hatchbacks. This is reflected in its UK price which, at £7,800, rivals that of the Golf GTI.

Its on-paper ascendancy may not last long, however. Later this year Volkswagen is due to launch a 16-valve version of its own GTI with similar power output to the Abarth but in a lighter bodysheet.

And towards the end of the year, Vauxhall's Astra GTE is also to be replaced by an all-new design expected to be substantially quicker than the current 115 mph model.

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Improvements to radio systems are making them an increasingly practical means of communication whose usefulness will be greatly extended by cellular radio.

Radio advances reaching the production line

EVEN THE TOP range of executive cars are not the ideal environment for radio and cassette systems. The audio system has to contend with the noise from the engine, tyres, road and wind. Most of the systems in cars today are combined radio and cassette units. Top ranges of these machines tend to have up to five pre-set channels and liquid crystal displays which show the frequency of the selected channel. Models are often able to search for programmes.

Electronics companies such as Renix in France are working towards voice control of radio station tuning. Researchers in France discovered that many accidents are caused while drivers are trying to re-tune their radios.

Voice control would be a very effective way of eliminating a major hazard but development engineers still have problems with this because of the difficulty of making electronic circuitry which can reliably identify a voice above the background noise.

Motorist information services are now well established in Europe but not in the UK. The German-developed ARI system, which gives up-to-date advice to motorists such as details of traffic jams, road works and accidents in the area, is now in most other countries.

Initially, equipment available on the market had to be returned by hand every time the vehicle moved from one radio station to another. Large motorway signs reminded the driver that it was time to return. However, several models are now available which automatically return to the new station. It is currently on trial in at least one area in the UK.

Voice communications, on the other hand, are likely to improve next year with the introduction of cellular radio

for car telephones. This is intended to overcome the present shortcomings of in-car telephones which have been restricted as regards coverage of the country coupled with long waiting lists.

Cellular radio, which provides communications between vehicles and the public telephone network, is a concept already in operation in the U.S. and Scandinavia. In essence a car telephone operates in a area covered by one transmitter of a certain frequency. As the vehicle moves out of this area, a computer control system automatically changes frequency so that the radio telephone can operate in an adjacent area which is on a different frequency. This happens without a break in communications.

Efficient

In this way, a car telephone can still communicate over the whole of the country. It is an efficient method too since it allows the same radio frequency to be re-used over a number of areas or cells.

150 companies have been given licences by the Government to operate the cellular radio service in the UK. These are Telecom Securicor Cellular Radio and Racal Milcom. Equipment will be provided by other small companies in the UK.

British researchers are also considering the possibility of linking cellular radio by satellite. So far only Canada is thinking about going ahead with a satellite system.

The satellite system could be in operation later in this decade if the Government decides to give its approval for a national service. Again, it will give more channels to alleviate the crowded conventional radio bands.

Elaine Williams

JAGUAR The legend grows